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The Institute studies national problems, fosters innovative research, identifies and presents varying points of view on issues, develops practical opinions and analyzes public policy proposals. AEI publications and video and audio tapes serve as a bridge between scholars and those who make our public policies.

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A numerous and varied array of scholarly talent is available to AEI—and so to the Constitution Project—through its program of Resident Scholars, Senior Fellows, Visiting Scholars and Journalists; and through their acquaintances in almost every field of study through AEI's scores of Adjunct Scholars, and through the Project's own Advisory Panel.

This project funded in part by a Bicentennial Challenge Grant from the National Endowment for the Humanities.

1150 Seventeenth Street, N.W. Washington, D.C. 20036
(202) 862-5800



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AN OVERVIEW OF THE PROJECT

[When] we celebrated the one-hundredth anniversary of the formation of the Constitution, in every spoken and in every written word, ran one unbroken strain of gratitude to the men who had framed it and brought it forth. Everyone agreed with Gladstone's famous declaration, that the Constitution of the United States was the greatest political instrument ever struck off on a single occasion by the minds of men. But now, instead of the universal chorus of praise and gratitude to the framers of the Constitution, the air is rent with harsh voices of criticism and attack.

Henry Cabot Lodge
"The Constitution and Its Makers"
November 28, 1911

As we approach the two-hundredth anniversary of the Constitution, are Americans likely to share Gladstone's view that our founding document is the "greatest political instrument ever struck off on a single occasion by the minds of men"? Or are we more likely to see the Constitution as a relic of a bygone era, out-of-step with modern democratic reality and demands?

The American Enterprise Institute's project on the study of the Constitution will examine that question, and many more, by means of annual conferences, volumes of essays of opposing views, scholarly studies, seminars at colleges and universities, and television programs. AEI seeks to help prepare the nation for a serious observance of the Constitution's bicentennial by an extensive study of its sources, its meaning, its institutions, and its consequences.

The project will focus attention directly on the Constitution itself, in its wholeness and cohesiveness, instead of on constitutional law as revealed in opinions of the Supreme Court. Most study of the Constitution in recent decades has been study of the Supreme Court's decisions or behavioral studies of the judges. Such study usually slights inquiry into the fundamental character of the Constitution as a whole. In addition, it tends to neglect those aspects of the Constitution that do not generate law suits.

For example, the constitutional division of the Congress into two separate Houses is one of the most important institutional arrangements of the Constitution. But since that provision has never been the basis of a Supreme Court case it receives little or no attention in constitutional law courses.

AEI's project will study the Constitution directly and as a whole, and this will, as one consequence, draw attention to aspects of the Constitution that have, for a long time, remained unexamined.

By 1988 (the Bicentennial of the ratification of the Constitution), AEI will have completed research, books, courses, articles, and programs; and all this, we hope, will increase the numbers of persons to lecture, teach, and write on the Constitution—and also many others prepared to listen, read, and learn.

MAIN FEATURES OF THE PROJECT TO STUDY THE CONSTITUTION

The Annual Conference

Participants: from high levels of government, the professions, private enterprise, journalism, and different academic fields.

Essays: four or five papers on constitutional themes will be commissioned for each conference.

Authors and participants are chosen to include major spokesmen of opposing views, representing a wide range of responsible thought.

Conference Volumes

The annual conference papers, supplemented by four or five more essays to make the discussion more comprehensive, will be published by AEI each year in a single volume. By 1988 there will be ten volumes of historical and contemporary views of the Constitution, involving as many as one hundred essays.

SOME PROJECTED TOPICS FOR SEMINARS AND ESSAY VOLUMES

- "How Democratic Is the Constitution?"
- "Does the Constitution Establish and Rest Upon One Kind of Economic System?"
- "The Constitution and Human Rights"
- "The Constitution and Slavery"
- "The Constitution as an 'Over-all Frame of Government'"
- "Federalism"
- "The Influence of the Constitution on Other Nations"
- "The Importance of a Written Constitution"

Academic Outreach

The Project will aid in establishing related seminars at colleges and universities in many parts of the country, using some of the essays written for AEI's own annual conferences, combined with others written by the institutions' own faculty members especially for their conferences.

Scholarly Studies

For issues that cannot be developed appropriately for a conference, the project may provide partial support of scholarly studies, for possible publication by AEI.

TV Public Policy Forums

Two AEI Forums will be devoted to constitutional themes, each year. These panel discussions are broadcast to more than 300 educational and commercial television stations and over 700 radio stations. In addition, they will be available in video cassettes, 16 mm. film, and audio cassettes for use by individuals, libraries, businesses, or in the classroom. Booklets of the transcripts of the panel discussions are regularly published by AEI.

Study of the U.S. Constitution in Other Countries

The project proposes to co-sponsor research with leading institutions in many parts of the world, to study the relationship and influence of the Constitution of the United States on the constitutions and institutions of other nations.

ADVISORY PANEL "A DECADE OF STUDY OF THE CONSTITUTION"

Walter Berns (chairman)

AEI resident scholar;
professorial lecturer,
Georgetown University

Robert Bork

Alexander M. Bickel
Professor of Public Law,
Yale University; former
solicitor general of the
United States

M. Caldwell Butler

congressman (R-Va.);
member, House Judiciary
Committee

Ann Stuart Diamond

associate editor, *Regulation*
magazine

Daniel J. Elazar

professor of political
science and director,
Center for the Study
of Federalism,
Temple University

Gertrude Himmelfarb

professor of history,
Graduate School, City
University of New York;
former Woodrow Wilson
International Center fellow

Max M. Kampelman

attorney, Fried, Frank,
Harris, Shriver &
Kampelman; vice-chairman,
Coalition for a Democratic
Majority

Harvey Mansfield, Jr.

professor of government,
Harvard University

Abner J. Mikva

congressman (D-Ill.); circuit
judge nominee, United States
Court of Appeals for the
District of Columbia Circuit

Robert Nisbet

AEI resident scholar; Albert
Schweitzer Professor of the
Humanities Emeritus,
Columbia University

Howard Penniman

co-director, AEI's Political
and Social Processes
Program; professor of
government, Georgetown
University

Austin Ranney

co-director, AEI's Political
and Social Processes
Program; former president,
American Political Science
Association

Antonin Scalia

professor of law, University
of Chicago; former assistant
attorney general

Laurence H. Silberman

attorney, Morrison and
Foerster; former U.S. deputy
attorney general

Hobart Taylor, Jr.

attorney, Dawson, Riddell,
Taylor, Davis & Holroyd;
former director, Export-
Import Bank of the U.S.

J. Clifford Wallace

circuit judge, United States
Court of Appeals for the
Ninth Circuit; former
Woodrow Wilson International
Center scholar

George Will

nationally syndicated col-
umnist; former professor of
political philosophy, Mich-
igan State University

THE DIRECTOR OF THE PROJECT

The project is under the direction of Robert A. Goldwin, AEI resident scholar. Dr. Goldwin has organized and conducted policy seminars at the University of Chicago and Kenyon College. He is the editor of more than a dozen volumes of essays on such topics as federalism, American political parties, liberalism and conservatism, urban problems, and civil disobedience; and the author of articles on political philosophy and American political thought.

Dr. Goldwin served in the White House as Special Consultant to the President and in the Pentagon as Advisor to the Secretary of Defense. He was Dean and the Charles Hammond Elliot Tutor of St. John's College in Annapolis.

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November 27, 1979

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The four essays enclosed were the readings for AEI's re-
conference on "How Democratic Is the Constitution?" The
participants (listed in the front of the binder) were drawn
from many walks of life as we sought to bring together
persons of differing backgrounds, experience, and views.
The authors, similarly, were chosen for the variety of
evidence, analysis, and argument they would bring to bear on
the question.

AEI will commission several more essays on the same question
and the more comprehensive set of essays will be published
as the first in a series of annual volumes on the Constitution.
These volumes are one part of AEI's project, "A Decade of
Study of the Constitution," designed to help prepare the
nation for a fitting observance of the bicentennial of the
ratification of the Constitution in 1988. (A brochure of
the project is attached.)

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If you have comments on these essays, or suggestions, we
would be very glad to hear from you.

DEC 21 1979

RA Goldwin

Robert A. Goldwin

Director, Constitutional Studies

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1979 ANNUAL CONFERENCE
**HOW DEMOCRATIC IS
THE CONSTITUTION?**



AMERICAN ENTERPRISE INSTITUTE
FOR PUBLIC POLICY RESEARCH



A DECADE OF STUDY OF THE CONSTITUTION
FIRST ANNUAL CONFERENCE

HOW DEMOCRATIC IS THE CONSTITUTION?

Four essays by Gordon S. Wood, Walter Berns,
Alfred Young, and Ann Stuart Diamond;

edited by Robert A. Goldwin and William A. Schambra

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The authors themselves are alone responsible for the opinions expressed and any policies recommended in their respective papers. The American Enterprise Institute for Public Policy Research is a nonpartisan, nonprofit, publicly supported educational and research organization which itself takes no positions on public policy issues.

THE AEI PROJECT,
"A DECADE OF STUDY OF THE CONSTITUTION,"
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THE AUTHORS

WALTER BERNIS is a Resident Scholar at the American Enterprise Institute and Professorial Lecturer in Constitutional Law at Georgetown University. He is the author of Freedom, Virtue, and the First Amendment, The First Amendment and the Future of American Democracy, and For Capital Punishment, and numerous articles in professional journals and popular magazines on constitutional issues. He has served as Professor of Political Science at Yale, Cornell, and the University of Toronto.

ANN STUART DIAMOND is Associate Editor of the American Enterprise Institute's Regulation magazine. She has taught at Georgetown University, Yale University, Rockford College, Claremont Men's College and the University of Denver. Her most recent article, "The Zenith of Separation of Powers Theory: The Federal Convention of 1787," appeared in Publius, The Journal of Federalism, Summer 1978.

GORDON S. WOOD is Professor of History at Brown University. He has formerly taught at Harvard University and the University of Michigan. His book, The Creation of the American Republic, 1776-1787 was awarded the Bancroft Prize by Columbia University and the John H. Dunning Prize by the American Historical Association. His most recent book is The Great Republic: A History of the American People.

ALFRED YOUNG is Professor of History at Northern Illinois University and General Editor (with Leonard W. Levy) of The American Heritage Series. He has written many books, papers, and articles on early American history including The Democratic Republicans of New York: The Origins, 1763-1797 and The Crowd and the Coming of the American Revolution: From Ritual to Rebellion in Boston, 1745-1775.

THE PARTICIPANTS

BENJAMIN R. BARBER is a Professor of Political Science at Rutgers University, the editor of Political Theory and the author of Superman and Common Men, The Death of Communal Liberty and (forthcoming) The Strong Theory of Democracy. He has written for such popular magazines as Harper's, The New Republic and Dissent as well as for many scholarly quarterlies including Daedalus.

WILLIAM J. BAROODY, JR. is President of the American Enterprise Institute. He served in the White House as Assistant to the President and Director of the Office of Public Liaison, and before that as Assistant to the Secretary of Defense. He also served in the Congress as Research Director of the House Republican Conference.

WALTER BERNIS (SEE AUTHORS)

JOSEPH M. BESSETTE is a research associate at the White Burkett Miller Center of Public Affairs, and Associate Professor, Department of Government and Foreign Affairs, University of Virginia. He is also a co-principal investigator on an NEH-sponsored study entitled "Rhetoric and Presidential Leadership," and a co-editor of and contributor to The Presidency in the Constitutional Order, forthcoming.

ROBERT BORK is the Alexander M. Bickel Professor of Public Law at Yale Law School. He is the former Solicitor General of the United States. His most recent book is The Antitrust Paradox: A Policy at War with Itself.

EVA T. H. BRANN is a tutor at St. John's College in Annapolis, Maryland; she has also been a Fellow of the Woodrow Wilson International Center for Scholars and the Arnold Distinguished Visiting Professor at Whitman College. She is the author of Paradoxes of Education in a Republic and many articles and essays on such diverse subjects as the Gettysburg Address, the novels of Thomas Mann, music in Plato's Republic, and the novels of Jane Austen.

M. CALDWELL BUTLER is the Representative (Republican) of Virginia's Sixth Congressional District, serving his fourth term in the House of Representatives. He is a member of the House Judiciary Committee, where his main interests have centered on constitutional and judicial matters. Representative Butler is also a member of the Committee on Government Operations and the Subcommittee on Government Information and Individual Rights.

ANN STUART DIAMOND (SEE AUTHORS)

HENRY FAIRLIE is a Contributing Editor for The New Republic and The Washington Post. He formerly was an editorial writer for The Times of London. He has written many articles and books on American political affairs including The Parties: Republicans and Democrats in This Century, Life of Politics and most recently, The Seven Deadly Sins Today.

ROBERT A. GOLDWIN is a Resident Scholar and Director of Constitutional Studies at the American Enterprise Institute. He has served in the White House as Special Consultant to the President and, concurrently, as Advisor to the Secretary of Defense. He has taught at the University of Chicago and Kenyon College and was the Dean of St. John's College in Annapolis. His edited books include How Democratic Is America?, Left, Right and Center, and A Nation of States.

WILLIAM KRISTOL is Assistant Professor of Political Science at the University of Pennsylvania. He teaches in the fields of political philosophy and American government. He is a contributing writer for The American Spectator.

WINSTON S. MOORE is the Director of the Legal Policy Studies Program at the American Enterprise Institute. This program concentrates on constitutional questions and the role of courts and legal processes in American society. He is the author of eleven publications in the AEI Legislative Analysis series.

WILLIAM RASPBERRY is an urban affairs columnist for The Washington Post and commentator and discussion panelist for two leading Washington area T.V. stations. He was awarded the Pulitzer Prize in 1975. He has contributed many articles on race relations and public education to popular magazines.

RICHARD L. ROTH is the Chief of Planning and Guidance at the United States International Communication Agency. In the Department of State he was Director of Policy and Plans for the Bureau of Educational and Cultural Affairs. He has also served as a Budget Examiner, a Management Analyst, and Assistant to the Director at the United States Bureau of the Budget.

WILLIAM V. ROTH is United States Senator (Republican) from Delaware. Prior to his service in the Senate, he served two terms as Representative at Large from Delaware and was a member of the House Judiciary Committee. He is a member of the Senate Finance Committee and the Senate Governmental Relations Subcommittee and is the Ranking Republican on the Intergovernmental Relations Committee. Senator Roth is also a member of the Advisory Commission on Intergovernmental Relations and the Ranking Member of the International Trade Subcommittee.

DONALD RUMSFELD is the Chief Executive Officer of G. D. Searle & Co. Prior to joining Searle in 1977, Mr. Rumsfeld served in the U.S. House of Representatives, as Director of the Office of Economic Opportunity, as Director of the Cost of Living Council, as U.S. Ambassador to NATO, as Chief of Staff of the White House, and as the thirteenth Secretary of Defense.

DANIEL SELIGMAN is the Associate Managing Editor of Fortune. He worked with Fortune in the '50s and '60s and in 1969 became the Senior Staff Editor for Time, Inc. publications. In 1970 he returned to Fortune as Executive Editor. He has written and edited many Fortune articles, and has been the author of the magazine's "Keeping Up" column for the past two years.

MARTIN SKLAR is presently working on a book on United States-China relations in the early twentieth century with Professor Carl Parrini of Northern Illinois University. Mr. Sklar is a former Professor of History at Northern Illinois University and former Editorials Editor of In These Times, a Socialist weekly newsletter. He is the author of "Woodrow Wilson and the Political Economy of Modern United States Liberalism."

ROGER STARR is a member of the Editorial Board of The New York Times and an Adjunct Scholar at Pratt Institute and New York University. He is the former Henry R. Luce Professor of Urban Values at NYU and former Administrator and Commissioner, Housing and Development Administration, for the City of New York. He has published numerous magazine and journal articles.

J. CLIFFORD WALLACE is Circuit Judge of the United States Court of Appeals for the Ninth Circuit. He was District Judge for the Southern District of California and for fifteen years before that was in the private practice of law. As a Scholar of the Woodrow Wilson International Center he did research on the administrative structure of the Federal judicial system and is the author of Judicial Administration in a System of Independents: A Tribe with Only Chiefs.

GORDON S. WOOD (SEE AUTHORS)

EDWIN M. YODER, JR. is the Editorial Page Editor of The Washington Star. He formerly was an editorial page editor for The Charlotte News and The Greensboro Daily News and a Professor of History at the University of North Carolina. Mr. Yoder received the Pulitzer Prize in 1979 for editorial writing. His articles have appeared in Harper's, New Republic, National Review, Virginia Quarterly Review, and many others.

ALFRED YOUNG (SEE AUTHORS)

T H E O B S E R V E R S

BARBARA CROISSANT is the Acting Assistant Director of the Research Division at the National Endowment for the Humanities. She has her Ph.D. from Northwestern University in Medieval French Literature and has taught in the romance languages department at George Washington University.

WILLIAM A. SCHAMBRA is Assistant Director of the American Enterprise Institute's "A Decade of Study of the Constitution," and was, until recently, Associate Editor of AEI's Public Opinion magazine. He has an M.A. (and is completing his Ph.D.) in political science from Northern Illinois University, and is editing a collection of essays by the late Martin Diamond entitled, As Far As Republican Principles Will Admit.

DEMOCRACY AND THE CONSTITUTION

by Gordon S. Wood

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DEMOCRACY AND THE CONSTITUTION

"How democratic is the Constitution?" is a loaded question. It is loaded because it implies that the fundamental document of our national political system may be at odds with our democratic political faith. Yet this was the central question asked at the time the Constitution was framed, and it is a question that Americans have raised off and on again ever since.

Throughout most of the nineteenth century the Constitution's relation to democracy was usually taken for granted. In George Bancroft's view, the Constitution was the providential expression of the American people's progress toward democracy. To be sure, antebellum Southerners tried to make the Constitution their own, and some Northern abolitionists thought that the Constitution's recognition of slavery made the Constitution an abomination. But the Civil War and several amendments to the Constitution cut off any serious questioning of the Constitution's democratic character. It was left to the Progressive Era at the end of the nineteenth century and beginning of the twentieth century to open up the origins of the Constitution to critical scholarly investigation and to mount a massive challenge to the identity between the Constitution and democracy.

During the last three decades of the nineteenth century the Supreme Court declared unconstitutional a number of state laws attempting economic and social reforms. These decisions,

which seemed to be frustrating the ability of the people to carry out their wishes, provoked a far-reaching debate over judicial review, the nature of the Constitution, and its relation to democracy. By the early twentieth century this debate had generated more books and documents on the Constitution and its origins than at any other time in our history. While this controversy led some scholars to stress the great importance of the rule of fundamental and natural law in American political life, others sought to probe beneath the surface of public events and to understand judicial decisions, legislation, and constitutions not as the creations of abstract reasoning but as the products of the political process and interacting economic and social interests.¹

The common result of these different scholarly efforts --both the insistence on the importance of natural rights and higher law in American thought and the emphasis on underlying social and economic interests in shaping law and political institutions--was to separate the Constitution from mere popular will and to make it something other than the natural expression of democracy. It became increasingly evident that the Constitution was not identical with what the "people" wanted and that indeed it was designed through its checks and balances, difficulty of amendment, and judicial review to thwart these popular desires. Those scholars such as Edward S. Corwin and Charles G. Haines who stressed the natural-

rights and higher-law background of American thinking, tried to put the best face they could on the undemocratic character of the Constitution.² Others, following the lead of Max Farrand, attempted to blur the issue of democracy by emphasizing the pragmatic character of the Constitution as "a bundle of compromises" designed to correct very specific defects in the Articles of Confederation.³ But many other scholars, especially after the explosive publication of Charles Beard's An Economic Interpretation of the Constitution in 1913, concluded outright that the Constitution was an aristocratic document, created by reactionary mercantile and creditor elements frightened by the popular agrarian tendencies of the Revolution and calculated to limit, not promote, democracy. With Beard's book, certainly the most influential history book ever written in America, the image of the Constitution could never again be quite the same.⁴

Since World War II this Beardian or Progressive interpretation of the Constitution has been challenged in a variety of ways, and Beard's book itself has been torn to shreds. Yet the Progressive generation's historiographical achievement still casts a long shadow over much of our current writing about the origins of the Constitution. The issue of the Constitution's relation to democracy, once opened up by Beard and others, can no longer be taken for granted. In reaction to a half century of doubt about the democratic character of

the Constitution, scholars during the past three decades or so have felt continually pressed to bring the Constitution within our democratic fold. And they have done so largely by expanding our conception of democracy to the point where checks and balances, judicial review, and the concern for minority rights and individual liberties that once seemed antithetical to democracy have become as democratic as the majority will of popularly-elected legislatures. Through this kind of expansion in the meaning of democracy the Constitution has become for many scholars more democratic than anything it was designed to replace.

So the historical debate over the Constitution and democracy goes on and will probably continue to go on as long as we have the Constitution. For the debate is rooted in the original controversy that surrounded the creation of the Constitution in 1787-88. In fact, all the historical debates we have had over the democratic nature of the Constitution are essentially reverberations of this original dispute that took place at the time of the framing. The creators and supporters of the Constitution, the Federalists as they called themselves, argued strenuously that the Constitution was a fulfillment not a repudiation of the Revolution, and that it provided for a thoroughly republican and popular government. The opponents of the Constitution, the Antifederalists as they were called, charged, on the other hand, that the Constitution was a denial of the principles of 1776, and that it was an

aristocratic document calculated to create an undemocratic government that would benefit the few at the expense of the many. It is essentially these two contrasting viewpoints of 1787-88 that have been echoing through our historical writing on the origins of the Constitution ever since. What we are forever trying to decide in these debates we have with each other is: who was more right in their interpretation of the Constitution, the Federalists or the Antifederalists?

Cast in this way, the question will inevitably force us to take sides and argue that either the Federalists or the Antifederalists had a more "correct" view of the "real" Constitution. But there was and is no "real" Constitution against which we can measure the conflicting statements of the Federalists and Antifederalists in order to see who had it right. The only Constitution that existed in 1787-88 was the one men at the time believed in and described; and these beliefs and descriptions were very different. So that instead of asking whether the Constitution was democratic or not we should be asking what the historical participants were up to and why they described the Constitution in such different ways as being both democratic and undemocratic. When the questions are posed in this way, the answers, I think, will show us that neither the Federalists nor the Antifederalists were more right in their interpretation of the Constitution than the other, and that both had good reason to think as they did about the Constitution.

From the vantage point of 1776, which was generally the perspective of the Antifederalists, the Constitution of 1787 looms as an extraordinary, even unbelievable, creation. None of the Revolutionary leaders at the time of Independence even contemplated, let alone suggested, the possibility of erecting over all America such a strong overarching national government as the Constitution provided. It was simply beyond the American imagination of 1776. Such a powerful central government operating directly on individuals was diametrically opposed to everything the Revolution was about. More than anything else the Revolution intended to reduce the overweening power of the government, particularly far-removed central government, which was associated with the British imperial system. Any Revolutionary in 1776 suggesting a national government resembling that eventually created by the Constitution of 1787 would have been branded a lunatic, or worse, a British monarchist.

Of course some Americans in 1776 wanted a stronger central government than they eventually got with the Articles of Confederation. But even the most fervent advocates in 1776-77 of a stronger confederation, like John Dickinson, never envisioned a national government like that of 1787. For most Revolutionaries the confederation was a simple political response to the need for union against Britain. They were

interested less in creating an enduring nation-state than in legitimizing the resistance movement and the activity of the Continental Congress. At most they wanted a strong union of the separate states that would have substantial authority over matters of general concern such as war, trade, interstate disputes, and western lands. But however substantial such a confederation might be, it was still to be a confederation--a union of separate and remarkably independent states. The actual Articles of Confederation that emerged from the congresssional discussions of 1776-77 was weaker than some had wanted, but this limited union represented the views of most Americans at the time.⁵

Given these American fears of far-removed central power, explaining the adoption of the Constitution in 1787-88 becomes quite a problem. Indeed, the formation of the Constitution seems to be such an unexpected and unprecedented event that historians of all persuasions have felt compelled to fall back on one version or another of a "great men" explanation of it. Some have followed Beard and have stressed the conspiratorial character of the movement for the Constitution by a dynamic minority of nationalists who "conjured up" a crisis.⁶ Yet others writing against a Beardian view have also emphasized the youthful energy and political effectiveness of a small group of far-sighted Federalist leaders. In fact the adulation of recent historians for the Federalists' elan

and dash has become so great--one called them "giants in the earth"--that we may be on the verge of returning to the nineteenth century image of the Founding Fathers as demigods.⁷ Apparently the formation of the Constitution is so inexplicable it cannot be accounted for except in terms of the heroic actions of a few great men.

Of course many historians have described the accumulating problems of the Confederation in order to account for the Constitution. Although no one today endorses John Fiske's view that the 1780s. was "the most critical moment in all the history of the American people"--a time of near chaos and anarchy--yet historians have pointed out that the Confederation was suffering from a number of visible weaknesses.⁸ In international affairs the Confederation was hard-pressed to maintain its territorial integrity. Great Britain refused to vacate the Northwest posts and Spain claimed a huge chunk of the Southwest and closed the Mississippi to traffic. The Barbary pirates were seizing American ships and crews because Congress had no money to pay the necessary tributes. Lacking any taxing power, the United States government could not even pay the interest on its debt to its creditors at home or abroad. Congress had no authority to regulate commerce and thus had no way of forcing any openings in the European mercantile empires for American traders. Efforts to get even limited taxing and commercial regulatory powers foundered on

the requirement for unanimous consent of all the states for amendment of the Articles of Confederation.

Yet pressing and serious as these problems of the Confederation were, they cannot by themselves be used to explain the formation of the Constitution. For the Constitution created a national government whose strength and character were out of proportion to the obvious and acknowledged weaknesses of the Confederation.. Indeed, by 1787 almost everyone recognized the debility of the Articles and was prepared to grant additional powers to the Congress. But they were not prepared for what came out of the Philadelphia Convention of 1787--a revolutionary transformation of the entire American political system including a radical diminishing of the independence and power of the states. This was no invigorated league of states that the Constitution created. It was a totally new and extraordinarily powerful national government operating directly on individuals that went well beyond what the difficulties of credit and commerce and the humiliations in foreign affairs demanded in additional central powers.

Something else besides the obvious debility of the Confederation lay behind such a radical political transformation. Only political conditions in the states themselves--political conditions of the most threatening kind--can ultimately explain the creation of the Constitution. There in the

states, the political entities the Revolutionaries cared most about, was the problem of democracy revealed, and it is that problem the Constitution sought to solve.

The state republics created in 1776 were at the heart of the Revolution. Winning the war and forming the Articles of Confederation were crucial, no doubt, but creating new state constitutions, as Jefferson said in 1776, was "the whole object of the present controversy." In their new commonwealths Americans aimed to test all that they had learned about tyranny and liberty from their colonial experience and their debate with Britain in the 1760s and '70s. Republicanism and popular government in America and indeed in the world would live or die by what happened in these individual states.⁹

In 1776 Americans as yet did not call their new governments democracies, and it is important for our understanding of the Constitution's relationship to democracy to know why they did not. It is true that the new state governments were very popular, more popular surely than any other government in the eighteenth-century world. In the American states a greater proportion of people could vote and a greater proportion of government officials were elected than in any other country. And the most popular part of the state governments, the lower houses of the legislature, were given an extraordinary amount of power, including many prerogatives

like the granting of pardons and the appointment of judges that were traditionally exercised only by magisterial authority in other countries. Still, these new governments were not yet called democracies because, as the Eighteenth Century commonly understood the term, they were not democracies.

Americans in 1776 still thought of democracy in a traditionally classical manner. Democracy was not yet what it has become for us--a general set of values embracing popular government, equality, and liberty. It was still a rather technical term of political science used pretty much as Aristotle had used it. It meant literally government by the people, referring in the strictest sense to political gatherings of the people in person in town meetings and the like. Since such pure democracy was impractical for most governmental affairs, Americans recognized as democratic the modern refinement of representation, which allowed elected agents to participate in government in place of the people. But representation was not yet equated as it is for us with mere popular election. The representatives of the people were exclusively those elected members of the lower houses of the legislatures--the house of representatives. The officials of the other branches of the government--whether governors or senators--even though elected by the people were not yet considered to be in any way "representatives" of the people. They stood "for" the people but were not "of" them,

and thus any state that possessed a governor and a senate, although popularly elected, could not be a democracy.

Americans in 1776 therefore saw themselves creating mixed republics, with the democratic element, the lower assemblies, playing a very dominant role.

By the 1780s it had become evident to many American leaders that these state assemblies were abusing their extraordinary powers. The annually elected legislatures, beset by hosts of various interests in the society, were constantly changing their membership and were making legislation chaotic. As James Madison pointed out, more laws were enacted by the states in the decade following Independence than in the entire colonial period. And many of these laws were unjust: paper money acts, stay laws, and other forms of debtor relief legislation hurt various creditor groups in the society and did violence to individual property rights. The legislatures seemed to some to be more frightening than the former royal governors. It did not matter that the legislators were supposedly the representatives of the people and annually elected by them. "173 despots would surely be as oppressive as one," wrote Jefferson.

"An elective despotism was not the government we fought for."¹⁰

These legislative abuses, many American leaders believed, flowed from too much democracy. The legislators were too susceptible to various narrow and parochial interests and had

become merely spokesmen for their local constituents.

"A spirit of locality" in the state legislatures, said Madison, was destroying "the aggregate interests of the Community" and this localist spirit was "inseparable" from elections by small districts or towns. Each representative, said Ezra Stiles, president of Yale, was concerned only with the special interests of his electors. At the reading of a bill in the legislature, "every one instantly thinks how it will affect his constituents."¹¹ In short, the representatives of the people--the democratic parts of the mixed constitutions--were responding too readily to the wishes of the people they represented. When the Federalists in 1787 came to complain of "the turbulence and follies of democracy," this is what they meant.¹²

This then was the situation in the states in the 1780s as many American leaders saw it. How to deal with it? They tried several approaches. Some attempted to reform the Revolutionary state constitutions by reducing the power of the popular assemblies and enhancing that of the governors and senates. The Massachusetts constitution of 1780 embodied many of these second thoughts, and during the 1780s other states sought to remake their constitutions in Massachusetts' image. Others tried to use the judiciary against what were thought to be unconstitutional acts of the legislatures, and there were scattered and rudimentary expressions of what

would become judicial review. But many leaders thought such judicial overturnings of law enacted by popularly-elected legislatures smacked of despotism and was contrary to republican government.

By the mid-1780s men were increasingly disillusioned with these reforms and devices working at the state level. Finally, when even Massachusetts with its supposedly model constitution experienced popular excesses, including Shays' Rebellion and the subsequent legislative "tyranny" of Shaysite sympathizers, many leaders were ready to shift the arena of constitutional change from the states to the nation. It seemed to many that only by modifying the structure of the central government could America find an answer to its democratically-caused problems within the states.

What happened in 1786-87, in brief, was the coming together of two different and hitherto separate reform movements. The previously frustrated attempts of various groups--public creditors, merchants, and others--to amend the Articles of Confederation were now reinforced by the efforts of those alarmed by majoritarian tyranny within the states. Fear of the implications of state politics now overwhelmed state particularism and the fear of far-removed central power that had prevented earlier reform of the Articles and forced a recasting of the terms of the problem facing Americans. Since the legislative abuses of the states

flowed from the Revolutionary aim of increasing the participation of the people in government, the very success of the Revolutionary experiment in popular government was at stake. Thus changing the central government was no longer a mere matter of standing up strong in foreign affairs or of satisfying particular creditor or mercantile interests. It was now a matter, as James Madison said, that would "decide forever the fate of republican government."¹³

No one saw this linkage between reform of the central government and reform of the states more clearly and used it more effectively than Madison. Nearly everyone now is familiar with Madison's central role in planning for the Philadelphia Convention and in drafting the Virginia plan, which was the Convention's working proposal. But not everyone is equally familiar with what Madison wanted from the new central government and how disappointed he was with the final Constitution. Madison's proposals were truly radical and were designed not to solve particular problems of the Confederation but to remedy the deficiencies of republicanism itself. The evidence is strong that Madison and other nationalists who thought like him wanted a greater degree of consolidation and a correspondingly greater weakening of the states than they got. Madison wanted a national government that not only would have "a positive and compleat authority in all cases where uniform measures are necessary," as in

commerce and foreign policy, but would have "a negative in all cases whatsoever on the Legislative Acts of the States as the King of Great Britain heretofore had." This veto power over all state legislation seemed to Madison "to be absolutely necessary, and to be the least possible encroachment on the State jurisdictions."¹⁴ Without it, he believed, none of the great objects which led to the Convention--neither the need for more central authority nor the desire to prevent instability and injustice in state legislation--would be met. When the Convention eventually set aside this national veto power, Madison initially thought that the Constitution was doomed to failure.¹⁵

Although deeply disappointed with the Constitution, Madison and other nationalists aimed to make the best of what they had--which was a greatly enlarged and elevated republic. All scholars now know how ingeniously Madison made theoretical sense of the new national system. Seizing on David Hume's radical suggestion that a republican government might operate better in a large territory than in a small one, Madison turned the traditional assumptions about the appropriate size of a republic on their head. Since experience in America from 1776 had demonstrated that no republic could be made small enough to avoid the clashing of rival parties and interests (tiny Rhode Island was the most faction-ridden of all), the republican state, said Madison in a series of

notable letters, essays, and speeches climaxing with his Federalist No. 10, must be enlarged "without a departure from the elective basis of it." In this way "the propensity in small republics to rash measures and the facility of forming and executing them" by overbearing factional majorities would be stifled. "In a large Society," said Madison, "the people are broken into so many interests and parties, that a common sentiment is less likely to be felt, and the requisite concert less likely to be formed, by a majority of the whole."¹⁶

All this may be common knowledge to scholars, but it has led to great misunderstanding of Madison's meaning. Some have pictured Madison as the originator of what has come to be called an "interest-group" theory of politics. But Madison was not a forerunner of Arthur Bentley, David Truman, or Robert Dahl. Despite his keen appreciation of the multiplicity of interests in a commercial society, Madison was not presenting a pluralist conception of politics. He did not envision public policy or the common good emerging naturally from the give and take of hosts of competing interests.¹⁷ Instead he hoped that these competing parties and interests in an enlarged republic would neutralize themselves, which in turn would allow rational men to promote the public good. It worked that way in America's religious situation, which was a common analogy for Madison. The multiplicity of

religious sects in America prevented any from dominating the state and permitted the enlightened reason of philosophes like Jefferson and himself to shape public policy and church-state relations. Madison did not want the new national government to be an integrator and harmonizer of different interests in the society; instead he wanted it to be a "disinterested and dispassionate umpire in disputes" between these different interests.¹⁸ In other words, Madison was not as modern as we often make him out to be. For he hoped national government might play the same role the British king had been supposed to play in the empire.

But if the new government was to be monarch-like with its own "dispassionate and disinterested" authority, how was it to work in republican America? "It may be asked," Madison said, "how private rights will be more secure under the Guardianship of the General Government than under the State Governments, since they are both founded on the republican principle which refers the ultimate decision to the will of the majority."¹⁹ What, in other words, was really different about the new federal Constitution from the state constitutions that would enable it to lessen the effects of tyrannical majorities and keep it from succumbing to the same popular pressures that were besetting the state governments in the 1780s?

The answer the Federalists gave to these questions cut to the heart of the new system and reveals clearly the problem of the Constitution's relation to democracy. The Federalists, Madison included, were not as much opposed to governmental power per se as to the character and outlook of the people wielding it. They thought that the vices of the state assemblies in the 1780s flowed essentially from the kinds of people being elected to these assemblies. Such legislators were too often too much like the people they represented.

The Revolution had democratized the state assemblies by increasing the number of representatives and by altering their social character. New men of more humble, more rural origins, less educated and with more parochial interests than those who had sat in the colonial legislatures became state representatives after 1776. These non-gentry elements formed what Jackson Turner Main has called "localist parties" in all the state legislatures.²⁰ Although the turnover of membership among these groups was too great perhaps to permit such a rigid classification as "party," there is no doubt that these legislative blocs took consistently localist positions on many issues that their cosmopolitan elite opponents criticized as "illiberal," "interested," and "unprincipled." Madison and other gentlemen believed that these ordinary men lacked the "enlarged" and "liberal"

outlooks of the more cosmopolitan "natural aristocracy" that Jefferson for one had expected to dominate government. Yet these ordinary men were the ones winning elections to the state legislatures and enacting most of what the Federalists described as the confused, unjust, and narrowly-based legislation of the 1780s. What the Federalists wanted out of the Constitution was a structure of government that would inhibit such localist kinds of men from gaining power.

They proposed to do this by enlarging the arena of politics. Raising important governmental decision-making to the national level would expand the electorate and at the same time would reduce the number of those elected. This expanded electorate and elevated government would then act as a kind of filter refining the kind of men who would become national leaders. In a larger arena with a smaller number of representatives only the most notable and most socially established were likely to gain political office. If the people of a state, New York, for example, had to select only ten men to the federal Congress in contrast to the sixty-six they elected to their state assembly, they were more apt in the case of the few representatives in the national government to ignore obscure ordinary men with only local reputations and elect only those who were well-bred, well-educated, and well-known. Election by the people

in large districts would inhibit demagoguery and crass electioneering and would therefore, as Madison's closest ally in the Convention James Wilson said, "be most likely to obtain men of intelligence and uprightness."²¹

What was the meaning of all this Federalist talk of keeping out of government "men of factious tempers, of localist prejudices, or of sinister designs"? Who were the men possessing "the most attractive merit and most diffusive and established characters"?²² If anyone today used those terms to describe political leaders we would be understandably suspicious. I suppose we might even say, in today's jargon, that these are "code words" for distinct social types. The Federalist diagnosis of the political problems of state politics in the 1780s was at bottom social. Prior to the Revolution the colonists, like all eighteenth-century Englishmen, had less need for such circumlocutions; they then talked more candidly about the distinction between gentlemen and ordinary people and were much more blunt in designating some as aristocrats and most as not. But since the Revolution the distinction between gentlemen and common people was becoming blurred and aristocracy, even a republican "natural aristocracy," had become a pejorative term in many parts of the country. It is perhaps anachronistic and crude to refer to this gentry sense of difference from obscure ordinary

people as a "class" distinction, for it was a distinction that belonged to the older hierarchically and vertically organized society of ranks and degrees and not to the economically based class and horizontally organized society of the future. Yet it is surely more accurate to describe the controversy over the Constitution in these anachronistic and crude "class" terms than to suggest that it had no social implications whatsoever. The Federalists knew very well the social significance of their enlarged republic. They had a shrewd sociological insight into American politics, and they aimed to use it in transforming the social character of American government.

It is a sociological insight that was exploited time and again in later American history. The Progressive period, for example, was marked by the reforming efforts of cosmopolitan types, often liberal, upper-income professionals and businessmen, to wrest the reins of government out of the hands of "corrupt" and "undesirable" localist elements. And the Progressive reformers often did this by shifting the level of governmental decision-making from wards, towns, and counties to the states and the nation. Commissions of "experts" at the state and federal level supplanted parochial politicians who could not see beyond their own neighborhoods.²³ Changing the level of decision-making continues even at present to have social implications and much of our national

politics still swirls around this cosmopolitan-localist dichotomy. What do we mean socially when we refer to "establishment" types, "limousine liberals," "middle America," or "Archie Bunkers"?

Whether or not such cosmopolitan efforts to create political structures that deliberately excluded the ordinariness of ordinary people are undemocratic is precisely the issue raised at the time of the framing of the Constitution. The Antifederalists, speaking for a populist localist tradition, certainly thought the Constitution was undemocratic. They immediately saw the social implications of the elevated federal government, where only certain "high-toned" and "great men" would hold office, and consequently attacked it as "aristocratic," and contrary to the aim of the Revolution.

Yet the issue was complicated at the time and for historians ever since by the fact that the Federalists did not allow themselves to be pictured as opposed to the people or republicanism. They had good reason to know that the Constitution would be seen as undemocratic. "When this plan goes forth," John Dickinson warned the Philadelphia Convention, "it will be attacked by the popular leaders. Aristocracy will be the watchword; the Shibboleth among its adversaries." Precisely because the Antifederalists, as Alexander Hamilton observed in the New York ratifying convention, did talk "so often of an aristocracy," the Federalists were compelled in

the ratifying debates and in their publications to minimize, even to disguise, the elitist elements of the Constitution.²⁴ Much of The Federalist, for example, was devoted to demonstrating just how "strictly republican" the new system was.²⁵ The Federalists emerge from the debates, if we take their public statements at face value, as the supreme defenders of the role of the people in politics. They said over and over again that the new national government, unlike the old Articles of Confederation, was fully derived from the people. The states could not stand in the way of what the people wanted, and the Constitution was only fulfilling at the national level what the Revolution in 1776 had begun. In effect, the Federalists usurped the popular Revolutionary language that rightfully belonged to their opponents, and in the process helped to further the extraordinary changes taking place in the American conception of politics and democracy.

By the end of the debate over the Constitution it was possible for the Federalists to describe the new national government, even with its indirectly elected President and Senate, as "a perfectly democratical form of government."²⁶ Already by 1787-88 democracy had come to be identified by some Americans simply as a representative government derived from the people. In other words, republicanism and democracy were becoming equated. The houses of representatives lost

their exclusive connection with the people. Representation was now identified simply with election, and thus all elected officials, and for some even those not elected such as judges, were now considered to be in some way or another "representative" of the people. Consequently the older classical ideas of democracy and mixed government that went back to Aristotle became irrelevant in describing the new American political system. Democracy rapidly became a generic label for all American government.

The changes in language and thought that made this new, more modern definition of democracy possible was not as easily reached as I have suggested here. Nor was the Federalist use of populism to defend the Constitution as self-conscious or calculating as I have implied. Ideas and words are not manipulated or transformed quite that crudely. But in sum the Federalists did seek to cover their aristocratic document with a democratic mantle. The state problems of the 1780s they hoped to solve were those of excessive democracy; yet the solution, they said or felt compelled to say, was likewise democratic. Or as Madison, who was somewhat less willing than other Federalists to distort language and indulge the people, put it, the Constitution was "a republican remedy for the diseases most incident to republican government."²⁷ Whatever the terms used, the Federalists in their public statements were not able to say

candidly what at least some had said within the secrecy of the Philadelphia Convention: that the source of their difficulties came from too much local democracy and that the solution was to limit this local democracy by erecting a more aristocratic structure over it.

Yet in the end the Federalists had little choice in their rhetoric. If they were to get the Constitution ratified, they had to work within the egalitarian and populist currents flowing out of the Revolution. Despite the suggestion of disingenuousness there is no denying their achievement. They thought and acted more creatively than any generation in American history. They not only convinced the country to accept a national government that was inconceivable a decade earlier but they did so without repudiating republicanism and the popular basis of government that nearly all of them devoutly believed in. The Federalists of 1787-88 were not the Federalists of the 1790s; they were alarmed by the abuses of popular power, but they were not, like the later Federalist party, actually fearful of the people. They remained confident that if only the people's choice could be undisturbed by ambitious local demagogues and crass electioneering they would "choose men of the first character for wisdom and integrity," men very much like themselves.²⁸ It was an achievement that transcended their intentions and one

that has rightly earned them the admiration of subsequent generations. Somehow for a moment they reconciled aristocracy with democracy and gave us, as John P. Roche has said, "a classic example of the potentialities of a democratic elite."²⁹

Nevertheless, great as the Federalists' achievement was, the cost to the future of American politics was high. By using the most popular and democratic rhetoric available to explain and justify their aristocratic system, the Federalists helped to foreclose the development of an American intellectual tradition in which differing ideas of politics would be intimately and genuinely related to differing social interests. In other words, the Federalists of 1787 hastened the destruction of whatever chance there was in America for the growth of an avowedly aristocratic conception of politics and laid the basis for the American belief that the ills of democracy can be cured by more democracy. From the creation of the Constitution, as the Federalist Party of the 1790s eventually discovered to its dismay, democracy in America was no longer something to be skeptically discussed and challenged but a faith to which all Americans and all American institutions must unquestioningly adhere.

¹For a summary of this literature see H. Hale Bellot, "The Literature of the Last Half Century on the Constitutional History of the United States," Royal Historical Society, Transactions, 5th Ser., 7 (1957), 159-182.

²See Edward S. Corwin, The Doctrine of Judicial Review, Its Legal and Historical Basis, and Other Essays (Princeton, 1914); and C.G. Haines, The American Doctrine of Judicial Supremacy (New York, 1914).

³Max Farrand, The Framing of the Constitution of the United States (New Haven, 1913).

⁴Before Beard's book, the most important work arguing the undemocratic character of the Constitution was J. Allen Smith, The Spirit of American Government, A Study of the Constitution: Its Origin, Influence and Relation to Democracy (New York, 1907). For a constitutional historian's shrewd discussion of the issue on the eve of the publication of Beard's book see Andrew C. McLaughlin, "Democracy and the Constitution," American Antiquarian Society, Proc, n.s., XXII (1912), 293-320.

⁵For the most recent and most persuasive account of the Confederation Congress see Jack N. Rakove, The Beginnings of National Politics: An Interpretative History of the Continental Congress (New York, 1979).

⁶See E. James Ferguson, The Power of the Purse: A History of American Public Finance 1776-1790 (Chapel Hill, 1961), 337; Merrill Jensen, The New Nation: A History of the United States, 1781-1789 (New York, 1950), 348-49; Jackson Turner Main, The Antifederalists: Critics of the Constitution 1781-1788 (Chapel Hill, 1961), 177-78, quotation at 178.

⁷See Stanley Elkins and Eric McKittrick, "The Founding Fathers: Young Men of the Revolution," Political Science Quarterly, 76 (1961), 181-216; John P. Roche, "The Founding Fathers: A Reform Caucus in Action," American Political Science Review, 55 (1961), 799-816; Robert A. Rutland, Ordeal of the Constitution: The Antifederalists and the Ratification Struggle of 1787-1788 (Norman, Okla., 1966); and Forrest McDonald, E Pluribus Unum: The Formation of the American Republic, 1776-1790 (Boston, 1965), quotation at 236.

⁸John Fiske, The Critical Period of American History (New York, 1888), 55.

⁹For the importance of the state constitutions to the Revolution of 1776 see Gordon S. Wood, The Creation of the American Republic, 1776-1787 (Chapel Hill, 1969), 127-255.

¹⁰Thomas Jefferson, Notes on the State of Virginia, ed. William Peden (Chapel Hill, 1955), 120.

¹¹Madison's observations on Jefferson's Draft of a Constitution for Virginia (1788), Julian P. Boyd, ed.,

The Papers of Thomas Jefferson (Princeton, 1950---), 6:308-09; Ezra Stiles, "The United States Elevated to Glory and Honor. . ." (New Haven, 1783), in John W. Thornton, ed., The Pulpit of the American Revolution . . . (Boston, 1860), 420.

¹²Edmund Randolph in Max Farrand, ed., The Records of the Federal Convention (New Haven, 1937), I, 51.

¹³Madison quoted in Charles Warren, The Making of the Constitution (Cambridge, Mass., 1947), 82.

¹⁴Madison to Edmund Randolph, 8 Apr. 1787, Robert A. Rutland, et al, eds. The Papers of James Madison (Chicago, 1962---), 9: 370; Madison to George Washington, 16 Apr. 1787, ibid., 9: 383.

¹⁵For a recent discussion of Madison's national veto see Charles F. Hobson "The Negative on State Laws: James Madison and the Crisis of Republican Government," William and Mary Quarterly, 3rd Ser., 36 (1979), 215-35.

¹⁶The Federalist, ed. Jacob E. Cooke (Middletown, Conn., 1961), No. 10; Madison to Jefferson, 24 Oct. 1787, Rutland, et al. eds., Madison Papers, 10: 214.

¹⁷On this point see Robert J. Morgan, "Madison's Theory of Representation in the Tenth Federalist," The Journal of Politics, 36 (1974), 852-85; and Paul F. Bourke, "The Pluralist Reading of James Madison's Tenth Federalist," Perspectives in American History, IX (1975), 271-295.

¹⁸Madison to Washington, 16 Apr. 1787, Rutland, et al, eds., Madison Papers, 9: 384.

¹⁹Madison to Jefferson, 24 Oct. 1787, Rutland, et al, eds. Madison Papers, 10:212.

²⁰Jackson Turner Main, Political Parties Before the Constitution (Chapel Hill, 1973).

²¹Wilson in Farrand, ed., Records of the Federal Convention, I, 154. The first Congress had only sixty-five representatives, smaller than most of the state assemblies at that time.

²²The Federalist, No. 10.

²³See especially Samuel P. Hays, "Political Parties and the Community-Society Continuum," in William Nisbet Chambers and William Dean Burnham, eds., The American Party Systems: Stages of Political Development (New York, 1967), 152-181.

²⁴Dickinson in Farrand, ed., Records of the Federal Convention, II, 278; Hamilton in Jonathan Elliot, ed., The Debates of the Several State Conventions on the Adoption of the Federal Constitution (Philadelphia, 1876), II, 256.

²⁵See especially Martin Diamond, "Democracy and the Federalist: A Reconsideration of the Framers' Intent," American Political Science Review, 53 (1959) 52-68; and

Diamond, "The Federalist, 1787-1788," in Leo Strauss and Joseph Cropsey, eds., History of Political Philosophy (Chicago, 1963), 573-593.

²⁶Nathaniel Gorham (Mass.) in Elliot, ed., Debates, II, 69.

²⁷The Federalist, No. 10. Madison's careful distinction between a republic, "in which the scheme of representation takes place," and a democracy, where the people "assemble and administer the government in person," was not supported by many Federalists. Before long all American governments were being called "representative democracies." See Wood, Creation of the American Republic, 593-596.

²⁸Hartford Conn. Courant, Feb. 5, 1787.

²⁹Roche, "The Founding Fathers," American Political Science Review, 55 (1961), 816.

DOES THE CONSTITUTION "SECURE THESE RIGHTS"?

by Walter Berns

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How democratic is the Constitution? It is more democratic today than in the past and promising (or threatening) to become still more democratic in the future. Senators are no longer even formally selected by state legislatures, but are popularly elected. Presidents continue formally to be chosen by a few presidential electors, but these electors are themselves chosen by the voters and, except for an occasional maverick eager to call attention to himself at no cost to anyone else, have long since given up their nominal independence. The various restrictions placed on the suffrage by state constitutions, statutes, parties, and practices, have been removed over the course of time by formal amendment of the Constitution as well as by federal statute and Supreme Court decision. States are supposed to apportion both houses of their legislatures according to the democratic principle that allows "a majority of the people of a state [to] elect a majority of that state's legislators."¹ And not only are elections more popular, but the people now play--or are entitled to play--a greater role in the selection of the candidates to run in those elections: the party convention has been superseded by the party primary, the bosses by the people, the smoke-filled big-city hotel room by the open pellucid spaces of rural New Hampshire.

If, then, democracy means government by the people, we have more of it today--formally at least--than in the past.

Not only does the Constitution now require as well as permit more democracy in the political process, but it has been interpreted to require a greater degree of democracy --understood here as equality--in American society. The equal protection of the laws has come increasingly to mean laws that draw no distinctions: between black and white, male and female, citizen and alien, resident and nonresident, wed and unwed, or even legitimate and illegitimate.²

The Constitution is not yet, however, sufficiently democratic to satisfy everyone. Birch Bayh and a majority (but not a two-thirds majority) of his Senate colleagues look upon the Electoral College as an anachronism, a vestige of our less democratic past that must be swept away in favor of direct, popular election. What concerns them is not so much the remote possibility that a President will be elected without a majority of popular votes, or even that the Electoral College will be unable to produce a winner (thus throwing an election into the House of Representatives), but rather what they understand to be the principle underlying this method of choosing Presidents. That principle, they say, is undemocratic. In our

democratic times, they insist, only a popular majority can bestow legitimacy; indeed, as was made clear in the 1979 hearings on his bill to abolish the Electoral College, Bayh himself would prefer a system designed to produce a popularly-elected President to one designed to produce a better qualified President.³

And James Abourezk, formerly a senator from South Dakota, would go further in this direction; he would amend the Constitution to permit not direct election but direct legislation. In his scheme, three percent of the voters would be empowered to initiate legislation by putting a proposal on the ballot which, without amendment, would become law if it gained the support of a popular majority in the next general election. Like Bayh, Abourezk and the co-sponsors of his proposed constitutional amendment, Senators Hatfield and Gravel, are concerned with the form rather than the end of government; or, one might say, they are concerned primarily with process--it must be as directly democratic as possible--and only secondarily (if at all) with what comes out of that process. They stand for direct popular rule, which in practice, presumably, would mean simple majoritarianism mitigated or limited only by the power of judicial review.

During the Warren years especially, the Supreme Court was moved by a similar spirit, and, as a result, managed

to produce not only a more democratic--i.e., majoritarian --Constitution, but a somewhat fanciful account of our history. "The conception of political equality," said Justice William O. Douglas, "from the Declaration of Independence to Lincoln's Gettysburg Address, to the Fifteenth, Seventeenth, and Nineteenth Amendments can mean only one thing--one person, one vote."⁴ This version of this one aspect of our history became the official one when, the following year, Chief Justice Warren quoted and reiterated it in his opinion for the Court in the second-chamber apportionment cases.⁵

How democratic is the Constitution? Not yet democratic enough for these men. Not yet democratic enough for anyone who, contrary to our original practice, insists that this is the first and most important question to ask about a political system.

We, of course, call ourselves a constitutional or liberal democracy, and occasionally, if we are careless or in a hurry, simply a democracy. The most famous book about us is entitled Democracy in America, but, unlike many contemporary writers and politicians, Tocqueville, the author of that book, understood democracy to be one of several régimes (to adopt his term) under which liberty, or the rights of man, might--or, depending on circumstance and condition, might not--be secured. He was continually

mindful of the purpose or end of government and analyzed the strengths and weaknesses of democracy and constitution in the light of that end. In this respect he resembled the men of our Founding generation, not only James Madison, James Wilson, and Alexander Hamilton, but, what is frequently overlooked and sometimes denied, Patrick Henry, Luther Martin, and Melancton Smith as well. All of them, Federalists and anti-Federalists alike, took their bearings from the Declaration of Independence where it is said to be a self-evident truth that government is instituted in order to secure the rights with which all men are equally endowed; and none of them made the easy--and, according to the Declaration, the improper--assumption that democracy was the only form of government under which these rights could be secured.* How democratic is the Constitution? That is not the central question; at best it is a subordinate question.

II

Nothing I have said about the Federalists and anti-Federalists is intended to minimize their differences. With respect to the point at issue in the debate in which

* See below, p. 24ff, where this point is discussed at some length.

they engaged each other--whether or not the Constitution should be ratified--these differences were decisive, and were understood to be decisive.

The Anti-Federalists' objections to the Constitution are too well known to require elaboration here.

Specifically, they objected to what they saw as a consolidating of the states with the consequent undermining of their authority; the absence of a Bill of Rights; an inadequate system of representation--too few members of the House, they insisted; the failure adequately to separate powers; and, to cite one other objection, too powerful an executive. Generally, they complained that the Constitution would take power from the people and put it in the hands of a favored few. There is, thus, some reason to see the ratification struggle as a contest between democrats and aristocrats. Did not the arch-Federalist Hamilton openly call for a chief executive who would serve during good behavior and who would possess a monarch's absolute veto on all laws, and should this not cause us to suspect his professions of attachment to republicanism? Did he not find even the Virginia plan, which provided the basis for the Constitution, too democratic, referring to it as "pork still, with a little change of sauce"? He did, indeed, and similar if less pungent statements were uttered by other Federalists; for eulogia on the "genius of democracy"

one has to turn to the speeches of Patrick Henry, for one, and he opposed the Constitution: it has an "awful squinting," he said; "it squints toward monarchy." Removed from their contexts, however, these statements serve principally to conceal the issue being debated by Hamilton and Henry and their respective associates.

They were not debating the source of legitimate government; that, both parties agreed, was in the people. When men are by nature equal, no one may rule another without his consent: there can be no American coin with the inscription Dei gratia Regina or Dei gratia Rex.

Interestingly, it is to the agreement on this fundamental point that we owe the public character of the ratification debates in the several states: the Federalists and Anti-Federalists were contending for a consent that only the people could give. It was otherwise in Canada during that country's confederation debates in the 1860s; precisely because it was understood that the decision was one to be made in principle by the queen, who was queen by the Grace of God, and in practice by her ministers, the debates took place in the various provincial parliaments, not "out of doors."

Nor, as I said above, were the Federalists and Anti-Federalists debating the proper end of government, one side contending for a Christian commonwealth and the other

for a liberal state, or, to state this in terms of the Declaration, one side insisting that government be empowered to define the happiness that the governed were enjoined to seek, and the other insisting that each man had a natural right to define for himself the happiness he was entitled to pursue. By 1787, the "throne and altar" Americans had either gone to Canada, where even today some of their descendants can be found marching under the banner of United Empire Loyalists, or were content to remain silent.

What they were debating was the form of government best calculated to secure the rights of all Americans. The Federalists especially were impressed by the difficulties of this. The simple republican form could not be relied on to produce free government; indeed, it was impossible "to read the history of the petty republics of Greece and Italy without feeling sensations of horror and disgust at the distractions with which they were continually agitated, and at the rapid succession of revolutions by which they were kept in a state of perpetual vibration between the extremes of tyranny and anarchy."⁶ The Anti-Federalists tended, on the whole, to be content with the Articles of Confederation, under which the real power of government was exercised at the state level; they conceded the need for

minor amendments as well as the need for union, but only as a defense against foreign nations and as mediator between states. To the Federalists, however, the states resembled too closely those petty Greek and Italian republics and were doomed to suffer the same fate. To rely on the traditional republican forms would, they argued, only strengthen the case of those who insisted that republican government and civil liberty were incompatible.⁷ What they proposed in their place were the newly devised models of a "more perfect [republican] structure."

The science of politics . . . like most other sciences, has received great improvements. The efficacy of various principles is now well understood, which were either not known at all, or imperfectly known to the ancients. The regular distribution of power into distinct departments; the introduction of legislative balances and checks; the institution of courts composed of judges holding their offices during good behavior; the representation of the people in the legislature by deputies of their own election: these are wholly new discoveries, or have made their principal progress towards perfection in modern times. . . . To this catalogue of circumstances that tend to the amelioration of popular systems of civil government, I shall venture, however novel it may appear to some, to add one more. . . . I mean the ENLARGEMENT of the ORBIT within which such systems are to revolve. . . .⁸

These various institutional arrangements were intended to provide a "republican remedy for the diseases most incident to republican government." If men were angels, Publius

says in Federalist 51, no government would be necessary; and if one could trust the governors to be angelic, there would be no need to institute either external or internal controls. In this abode of men, there would have to be government and experience proved that the government would have to be controlled. "A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions." The precautions they took, and for which they were indebted to the new political science, were intended to do what the people could not be expected to do, namely, provide restraints on popular majorities.

The novelty attributed by Publius to the federal judiciary can only be understood in this context. It was the judges' duty to be "faithful guardians of the Constitution," and the Federalists expected the most dangerous invasions of it to be "instigated by the major voice of the community."⁹ In Britain--at least in the Britain that figures in Montesquieu's description of separated or balanced powers--the power of the people would be balanced by that of the nobles, and failing that it could be offset by the monarch; but in America there were neither nobles nor kings. Hence, as I have argued elsewhere, in the American system of separated powers, the independent judiciary, exercising the new power of judicial review, was

intended to take the place of the hereditary monarch, with his absolute veto, and the aristocratic House of Lords.

What Montesquieu sought to accomplish by dividing the legislative power between two factions--the people and the nobility--the American Constitution seeks to accomplish by means of a written document that limits the legislative power by specifying "exceptions to the legislative authority; such for instance, as that it shall pass no bills of attainder, no ex post facto laws, and the like." By enforcing these limitations, the Supreme Court will, in its way, maintain a balance between the factions that will arise in America, not between nobles and the people, but between few and many or creditors and debtors. What we have in America is a constitutional balance in the form of a limited Constitution, and the Court is very much a part of that balance.¹⁰

Publius may prefer to describe judicial review as a "republican" institution, but only in an impoverished political lexicon, one that offers no respectable alternative, could it be described as democratic so long as it functions as it was intended to function. Had Publius been more candid he would have said that in judicial review we behold a republican remedy for the diseases more incident to democratic government.

This amended formulation surely comes closer to expressing the Federalists' idea of representation and the disease it was intended to cure. Both they and the Anti-Federalists spoke in favor of representation, but they

understood by it exactly opposite things. Indeed, it is no exaggeration to say that the ratification debate was essentially a debate about representation.

In Federalist 9, as I pointed out above, Publius makes the claim that an improved science of politics has made it possible for the first time to appreciate the "efficacy of various principles [that] were either not known at all, or imperfectly known to the ancients." Among these he lists "the representation of the people in the legislature by deputies of their own election." That, to say the least, is a puzzling statement. What was new about representation? Or in what respect was American representation new? The answer is, for the Federalists representation was a way of keeping the people out of government. It was this that the earlier friends of republican government did not understand. As Publius concedes in a later number of The Federalist, they were familiar with the principle, but did not know how to apply it:

. . . it is clear [Publius says in Federalist 63] that the principle of representation was neither unknown to the ancients nor wholly overlooked in their political constitutions. The true distinction between these and the American government lies in the total exclusion of the people in their collective capacity, from any share in the latter, and not in the total exclusion of the representatives of the people from the administration of the former. [Emphasis in the original.]

The American system, he says, is vastly superior, but "to insure to this advantage its full effect, we must be careful not to separate it from the other advantage, of an extensive territory." An extensive territory makes it possible to keep the people, in their collective capacity, out of the government, or out of any direct participation in government. They elect representatives but the persons they elect do not represent them!

What this means can be understood by contrasting it with the Anti-Federalists' view. Here is Melancton Smith speaking against the Constitution in the New York ratifying convention:

The idea that naturally suggests itself to our minds, when we speak of representatives, is, that they resemble those they represent. They should be a true picture of the people. . . . 11

Another term frequently employed by the Anti-Federalists was "mirror"; a representative body should be a "mirror" or, again, a "reflection" of the people. Or, to employ an etymological device, a representative body should present the people again, that is to say, it should re-present them. It was because the Anti-Federalists wanted representation in this sense that they objected to a consolidation of the states under a government that would exercise power over a huge territory and would comprehend too large and too diverse a population; this explains as

well their calls for rotation in office, annual elections, and a larger number of representatives. Ideally, there should be no representatives--the people should themselves assemble and give themselves laws; they should present themselves in the legislative assembly--but failing that (and the Anti-Federalists had to concede that even the states were too large for direct democracy), there should be many representatives, for only a large body could provide an accurate reflection of the people.

To the same end, the Anti-Federalists called for responsible representation and meant by it a representation "responsive" to the will of the people and immediately answerable to the people. Here is "Centinel" writing in The Independent Gazetteer of Philadelphia:

The highest responsibility is to be attained in a simple structure of government. . . . If you complicate the plan by various orders, the people will be perplexed and divided in their sentiments about the source of abuses or misconduct. . . . But if, imitating the constitution of Pennsylvania, you vest all the legislative power in one body of men (separating the executive and judicial) elected for a short period, and necessarily excluded by rotation from permanency . . . you will create the most perfect responsibility; for then, whenever the people feel a grievance, they cannot mistake the authors, and will apply the remedy with certainty and effect, discarding them at the next election. This tie of responsibility will obviate all the dangers apprehended from a single legislature, and will the best secure the rights of the people.¹²

The same theme is sounded throughout the Anti-Federalist literature. In the proposed Constitution, Patrick Henry said, "there is no true responsibility"; what is required in a democracy is "real not imaginary responsibility."¹³ The same sort of objections were made in New York; no responsibility can be expected from a body elected for two years, "Cato" complained, or from so small a number of representatives. The Constitution's first article departs from "safe democratic principles," and this is especially true of its provisions for the Senate. The mode in which senators will be appointed as well as their long duration in office "will lead to the establishment of an aristocracy."¹⁴

While they might have protested the use of the term "aristocracy" to describe their idea of representation, the Federalists made no secret of the fact that they wanted uncommon men to be elected, and they were sometimes willing to have them referred to as a "natural aristocracy." In a large republic with relatively few representatives, they could expect the people--even a democratic people--to choose men distinguished by their virtue and talents. And they saw this as altogether necessary and proper. The persons elected to public office should not reflect the people who choose them; on the contrary, they should be a "chosen body of citizens, whose wisdom may best discern

the true interest of their country and whose patriotism and love of justice will be least likely to sacrifice it to temporary or partial considerations."¹⁵

In deference to the Anti-Federalists, Publius admits the need for responsible representatives, but, somewhat playfully one suspects, he asserts that there can be no responsibility under a system of frequent elections. This remark, he says, will appear to be not only new but "paradoxical";¹⁶ and indeed it does, since it is the exact opposite of the commonly held opinion. His explanation follows immediately: the people cannot hold their representatives responsible for decisions or policies as to which they, the people, are incapable of making sound judgments, and some, but not all, of the business of government will be of this order of complexity. With respect to it, Publius argues, there will be a distinction between the public's opinion of what ought to be done, on the one hand, and what is truly in the interest of the country, and representatives ought to be responsible to the latter, or to use the term employed here by Publius, they ought to be responsible to the "collective and permanent welfare" of the country. Responsibility in this sense depends in part on their being somewhat independent of their constituents, and there is very little independence under a system of annual elections.

My argument is that the ratification debate was essentially a debate about representation, a subject made up of many elements and having many ramifications. This was understood very well by both parties, and by their leading members it was understood perfectly: they knew what was at stake. And on no other subject were they so sharply divided. The respective parties favored a complex government and a simple government, a large republic and many small ones, few legislators and many, infrequent and indirect elections as opposed to frequent and direct. The Anti-Federalists accused the Federalists of favoring aristocracy and the Federalists implicitly admitted it; and what the Federalists described as disease, the Anti-Federalists accepted as a sign of health. Yet both sides wanted liberty and security for the rights of man.

III

But the Anti-Federalists were no more simple majoritarian democrats than the Federalists were aristocrats in any traditional sense, and it is a serious mistake to see the issue at stake in 1787-88 in these terms. There was no American nobility and there was no possibility of establishing anything equivalent to a House of Lords; both parties understood this. John Adams contrived a system of

separated powers in which the balance between the two legislative branches would, he hoped, reflect a balance of social orders; but Adams was not at Philadelphia when the Constitution was being written and his system was rejected. Madison, in the course of defending the small number of senators, argued that that body would be given "weight" by its small size and by the powers given it, and not by the families represented in it. It was John Dickenson of Delaware who "adhered to the opinion that the Senate ought to be composed of a large number, and that their influence (from family weight and other causes) would be increased thereby."

Madison disagreed. He put it this way:

The more the representatives of the people [are] multiplied, the more they [partake] of the infirmities of their constituents, the more liable they [become] to be divided among themselves either from their own indiscretions or the artifices of the opposite factions, and of course the less capable of fulfilling their trust. When the weight of a set of men depends merely on their personal characters; the greater the number the greater the weight. When it depends on the degree of political authority lodged in them the smaller the number the greater the weight.¹⁷

James Wilson, in support of Madison, pointed out that the British system "cannot be our model"; America lacked the

"material" for it. There were no noble families, no "laws of entails and of primogeniture," and American manners, laws, and the "whole genius of the people" are opposed to them.¹⁸

The Anti-Federalists agreed. In Britain, "Centinel" said, "they have a powerful hereditary nobility, and real distinctions of rank," but such are lacking in America.¹⁹ "We have not materials for such a government in this country," said William Grayson in the Virginia debates.²⁰ Lacking such social "materials"--that is to say, in the absence of anything resembling a noble class to balance legislatively against the people and thereby achieve the moderation that Montesquieu saw in the British system--the leading Federalists, led by Madison, sought to substitute what the late Herbert Storing used to call "constitutional weight," by which he meant that the "weight" of the Senate will depend less on the qualities the senators bring with them, so to speak, and more on the powers they are given when they take their seats.²¹ By means of constitutional institutions, the Federalists hoped to produce and to find a place for a "natural aristocracy." They were not, to coin a term, doctrinaire aristocrats, if such a breed can exist.

Nor were the Anti-Federalists simple majoritarians. Their advocacy of a simple, or a simpler, democracy cannot

be severed from their advocacy of small and simple republics; in other words, their views on representation and size of country--and, as we shall see, character of country--were inseparable. This has implications that, when understood, might cause their champions among twentieth-century academics to see them in a different light. The Anti-Federalists were opposed to the Constitution, but, contrary to their reputation in some quarters, they were not simply or essentially "men of little faith"; they were for something. They were for the kind of democracy that few if any contemporary friends of democracy are for. This becomes clear in their discussions of what they were against.

They were against a standing army. "Who can deny," asked "Philadelphiensis," but that the "president general will be a king to all intents and purposes, and one of the most dangerous kind too; a king elected to command a standing army?"²² This objection was repeatedly voiced during the course of the ratification debates, and nowhere better than in the words of Richard Henry Lee of Virginia. The great object of a free people, Lee wrote under the name "The Federal Farmer," was to form and administer their government so as to create confidence in it, especially among the "sensible and virtuous part of the community."

This confidence carries with it a freely given consent to the laws, and the alternative to freely given consent is an "expensive military force."²³ The general rule is, he wrote in another place and under his own name, that government must exist "if not by persuasion, then by force." He and his colleagues argued that not in the United States as a whole but only within each individual state was a freely given consent possible. Only in each state will the people possess knowledge of the men they elect to office. "But remove this opinion, which must fall with a knowledge of characters in so widely extended a country, and force then becomes necessary to secure the purposes of civil government. . . ." ²⁴ The same point was made in Massachusetts by "Agrippa," who insisted that history and experience prove that free government is not possible in an extensive territory comprehending diverse peoples. "Hence arises in most nations of extensive territories the necessity of armies, to cure the defect of the laws."²⁵

Smallness, however, was understood by them to be merely a necessary and not a sufficient condition of free republican government, and it is the additional conditions that would not be acceptable today--and proved to be unacceptable even in 1788. One of these is a homogeneous population. "Agrippa," for example, in the context of arguing that the national government cannot be trusted with

the power to naturalize aliens, contrasted the happiness of the "eastern" states with the situation in Pennsylvania, which had permitted open immigration.

Pennsylvania has chosen to receive all that would come there. Let any indifferent person judge whether that state in point of morals, education, energy is equal to any of the eastern states [which, "by keeping separate from the foreign mixtures" have] acquired their present greatness in the course of a century and a half, and have preserved their religion and morals.²⁶

Pennsylvania may be willing to receive foreigners, "yet reasons of equal weight may induce other states, differently circumstanced, to keep their blood pure."

There must be a similarity not only of national origin, but of manners and sentiments, and this is possible only if, in addition, there is a similarity of interests. Thus, in speech after speech, in state after state, we see praise of the "sturdy yeomanry," or of people of the middling sort, or a homogeneity of simplicity. In short, the Anti-Federalists were inclined to echo Jefferson's praise of a simple agricultural society.²⁷

The life devoted to commerce, and especially foreign commerce, is one that leads to extremes of wealth, a taste for luxury, and a dissolute people. In a word, republican government rests on civic virtue which can be promoted and perpetuated only in the small republic and only under a

government empowered to pay attention to such matters. I mean by this that it was the Anti-Federalists who were inclined to deplore the Constitution's prohibition of religious tests for office holders²⁸ and, beyond that, to call, not for civil religion in an older sense, but for the public promotion of good morals and manners, and this depended on public support for religious institutions. There would continue to be a good deal of "preaching" in these small republics.²⁹

The Anti-Federalists were for democracy; they were for direct representation of the people and majority rule; but they were also for a homogeneous society in which majority would scarcely differ from minority. Publius had this in mind when, in the famous tenth Federalist, he said there are two methods of removing the causes of factions, one of them being to give "to every citizen the same opinions, the same passions, and the same interests." If this is not possible--and I think it is fair to say that the Anti-Federalists lost the debate because the majority of Americans in 1787-88 realized that it was not possible by any means they would consider desirable--then another cure would have to be adopted. There would be factions; the public good depended on their being controlled; and, Publius said, "we well know that neither moral nor religious motives can be relied on as an adequate control." Hence

his conclusion: "from this view of the subject it may be concluded that a pure democracy, by which I mean a society consisting of a small number of citizens, who assemble and administer the government in person [or any close facsimile of this], can admit of no cure for the mischief of faction."³⁰

In voting to ratify the Constitution, Americans voted against the loose confederation of small, simple, virtuous, and democratic republics, and in favor of a strong, complex, and commercial republic, whose first object, Publius said, is "the protection of different and unequal faculties of acquiring property." Whether they knew it or not--and there can be no doubt that at least Publius knew it--they had voted to test the validity of the proposition advanced by the philosophers of natural rights--primarily Locke and Montesquieu--that, when combined with certain institutional arrangements, in the modern liberal state commerce could serve as a substitute for morality.

IV

Since at least 1940, when Merrill Jensen first published his popular study, The Articles of Confederation, there has been a tendency among American historians to see the Constitution as the successful conclusion of a

conservative or even counter-revolutionary backlash against the spirit and the works of the Revolution.* That spirit found its theoretical expression in the Declaration of Independence and those works included, in addition to the successful war for independence, the Articles of Confederation. The Articles, Jensen says, were the "natural outcome of the revolutionary movement [and the] constitutional expression of the philosophy of the Declaration of Independence."³¹ This, Jensen implies rather than asserts, cannot be said of the Constitution of 1787; this Constitution is alleged to embody other principles and can be traced to another source. It was the work of "conservatives" who, albeit "in the name of the people," succeeded in supplanting the Articles with "a nationalistic government whose purpose in part was to thwart the will of the 'people' in whose name they acted."³² The validity of these conclusions depends on his understanding of the Declaration of Independence, and, with all due respect, I must disagree with that understanding.

* I am not, of course, unaware of the somewhat similar charges leveled earlier by Charles Beard or of the view of American history, stemming from the Jacksonian period and the work of George Bancroft, that sees it as a continual struggle between democracy and aristocracy.

As I indicated earlier, legitimacy rests on consent, and democracy is merely one of the forms to which an enlightened people can give their consent: institutions designed to translate the unguided will of the people directly into policy or law are not only not required by the Declaration but are only too likely to become "destructive" of the ends for which government is instituted. Because they understood this, neither the Federalists nor the Anti-Federalists believed in an unrestrained or unstructured majority rule; they sought security for the rights of man, and democracy is not among those rights.

The people do have a right to choose democracy, but they also have a right to choose some other form of government. It is a self-evident truth that "whenever any form of government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundations on such principles and organizing its powers in such forms, as to them shall seem most likely to effect their Safety and Happiness." Contrary to Carl Becker,³³ the Declaration does not contain a presumption against kings in general but only against tyrannical kings. A nontyrannical king--or Prince, to use the Declaration's term--may be fit to rule a free people, and may have the consent of the people.³⁴

They have a natural right to choose to be governed by him. It is when the choice of the form of government is being made that the majority rules;* it is then that the will of the people must, as a matter of natural right, be ascertained. The Federalists--or, if you will, the "conservatives"--did not "thwart the will of the 'people'"; that will was expressed in 1787-88. Having been persuaded by the Federalists, the people voted to adopt a form of government that, in their best judgment, would best secure their rights. By adopting that form of government, the majority put limits on themselves and future majorities, and they were entitled to do this.

Except on the basis of natural right, it is not easy --and may even be impossible--to provide a principled defense of majority rule, or, stated otherwise, to defend majority rule on the level of principle. Presumably such a defense would rest on an assertion of the equality of men; but in what respects are men equal--naturally equal

* "The majority, having, as has been shown, upon men's first entering into society, the whole power of the community naturally in them, may employ all that power in making laws for the community from time to time, and executing those laws by officers of their own appointing; and then the form of the government is a perfect democracy; or else may put the power of making laws into the hands of a few select men, and their heirs or successors: and then it is an oligarchy; or else into the hands of one man: and then it is a monarchy. . . ." (John Locke, Second Treatise, sec. 132.)

--one to another? We all know that they are not equally intelligent, virtuous, godly, handsome, white, yellow, or black. Nor are they equally strong; and unless the stronger can be taught that strength is not a legitimate claim to rule, they will rule. Not only will they rule, but the weak, in addition to being unable to resist in practice, will be unable to object in principle. The only respect in which all men are equal is in their possession of natural rights, and it is from the fact of this equality of rights that the majority derives its right to determine the form of government under which all will live. The question put to the people on this founding occasion is, and can only be, under what form of government will rights best be secured.

To summarize: majority rule can be justified only if men are equal; they are equal only in their possession of rights; therefore, a politics of equality must be a politics concerned with rights; and consequently, majority rule is legitimate rule only if in practice the majority respects the rights of the minority. Whatever might be the case with Senators Bayh and Abourezk, and any other advocates of simple majoritarianism, the American civil rights groups have always understood this, at least in America and for Americans, and they owe it to themselves

--as well as to the minorities involved--to remember that the principle applies elsewhere as well.

V

How democratic is the Constitution? To ask that question suggests that a constitution should be judged primarily in terms of its responsiveness to public opinion, and that, I have argued, is improper, contrary to the principles on the basis of which we declared our independence and assumed "among the powers of the earth, the separate and equal station to which the Laws of Nature and Nature's God" entitled us. To ask it as if it were the only question, or even the chief question, may deflect our attention from the rights for the security of which we formed a government; indeed, the asking of it in that spirit may indicate that we have already forgotten the nature of those rights. There seems to be an opinion, becoming stronger with the passage of years, that we have a right to be equal, and equal in all respects, whereas we began with the firmly held conviction that the essential right was the right to be free. Tocqueville foresaw this development:

I think that democratic communities have a natural taste for freedom [he wrote]; left to themselves, they will seek it, cherish it, and view any privation of it with regret. But for equality their passion is ardent, insatiable,

incessant, invincible; they call for equality in freedom; and if they cannot obtain that, they still call for equality in slavery.³⁵

Our history has not been a struggle between democracy and aristocracy; it has been a struggle between equality and liberty, or between the two ideas of equality.

¹Reynolds v. Sims, 377 U.S. 533, 565 (1964).

²See, in addition to the host of racial classification cases, Frontiero v. Richardson, 411 U.S. 677 (1973); Sugarman v. Dougall, 413 U.S. 634 (1973); Shapiro v. Thompson, 394 U.S. 618 (1969); Eisenstadt v. Baird, 405 U.S. 438 (1972); and Trimble v. Gordon, 97 S. Ct. 1459 (1977).

³"Direct Popular Election of the President and Vice President of the United States," Hearings Before the Subcommittee on the Constitution of the Committee on the Judiciary, United States Senate, 96th Congress, first session, p. 137.

⁴Gray v. Sanders, 372 U.S. 368, 381 (1963).

⁵Reynolds v. Sims, 377 U.S. 533, 558 (1964).

⁶Federalist 9.

⁷Ibid.

⁸Ibid.

⁹Federalist 78.

¹⁰Walter Berns, "The Least Dangerous Branch But Only If...", in Leonard J. Theberge (ed.) The Judiciary in a Democratic Society (Lexington, Mass. and Toronto: Lexington Books, 1979), pp. 1-17. The statement quoted is from Federalist 78.

¹¹Jonathan Elliot, The Debates in the Several State Conventions on the Adoption of the Federal Constitution (Philadelphia: Lippincott, 1888), vol. 2, p. 245.
Hereinafter cited as Elliot's Debates.

¹²Cecelia Kenyon (ed.) The Antifederalists (Indianapolis: Bobbs-Merrill, 1966), pp. 7-8.

¹³Elliot, Debates, vol. 3, p. 61.

¹⁴Paul L. Ford, Essays on the Constitution of the United States (New York: Burt Franklin, 1970, reprint of the 1892 edition), p. 267.

¹⁵Federalist 10.

¹⁶Federalist 63.

¹⁷Max Farrand (ed.), The Records of the Federal Convention of 1787 (New Haven: Yale University Press, 1937), vol. 1, p. 152. (Italics not in the original.)

¹⁸Ibid., pp. 151, 153, 154.

¹⁹Kenyon, op. cit., p. 6.

²⁰Elliot, Debates, vol. 3, p. 279.

²¹I have profited enormously from an association with Storing that began in 1950 when we were graduate students together at the University of Chicago and ended only with his death in 1977. Not only did I learn from our many conversations on the subject of the American Founding, but in preparing this paper I enjoyed the benefit of possessing the final draft of his long introduction to his soon-to-be published edition of the Anti-Federalist papers.

²²Kenyon (ed.), p. 72.

²³Letters of a Federal Farmer (Richard Henry Lee), no. III, in Paul L. Ford (ed.), Pamphlets on the Constitution of the United States (New York: Da Capo Press, 1968, a republication of the 1888 edition), p. 294.

²⁴Richard Henry Lee, "Letter to _____," April 28, 1788, in James Curtis Ballagh, The Letters of Richard Henry Lee (New York: Macmillan, 1914), vol. 2, p. 464.

²⁵Agrippa (John Winthrop?) XII, in Ford, Essays, p. 92.

²⁶Agrippa IX, in Ford, Essays, p. 79.

²⁷Jefferson, Notes on the State of Virginia, Query XIX (New York: Harper Torchbooks, 1964), p. 157. Melancton Smith, in the New York ratifying convention, in the course of stating his objections to the system of representation

under the proposed Constitution, complained that a "substantial yeoman . . . will hardly ever be chosen." He then went on as follows: "I do not mean to declaim against the great, and charge them indiscriminately with want of principle and honesty. The same passions and prejudices govern all men. The circumstances in which men are placed in a great measure give a cast to the human character. Those in middling circumstances have less temptation; they are inclined by habit, and the company with whom they associate, to set bounds to their passions and appetites. If this is not sufficient, the want of means to gratify them will be a restraint: they are obliged to employ their time in their respective callings; hence the substantial yeomanry of the country are more temperate, of better morals, and less ambition, than the great." (Elliot, Debates; vol. 2; p. 247.)

²⁸Amos Singletary of Massachusetts complained that there was no provision that men in power should have any religion; "and though he hoped to see Christians, yet by the Constitution, a Papist, or an Infidel, was as eligible as they." (Elliot, Debates, vol. 2, p.44)

²⁹See, for example, "Agrippa," in Ford, Essays, pp. 65, 79, 92. An insistence that the states be permitted to

continue to foster religion in one way or another surfaced in the debates on the first amendment in the first Congress. See, Walter Berns, The First Amendment and the Future of American Democracy (New York: Basic Books, 1976), Ch. 1, and see Gordon Wood, The Creation of the American Republic, 1776-1787 (Chapel Hill: The University of North Carolina Press, 1969), chs. 3 and 10.

³⁰Federalist 10.

³¹Merrill Jensen, The Articles of Confederation (Madison: The University of Wisconsin Press, 1940-1976), p. 239.

³²Ibid., p. 245.

³³Carl Becker, The Declaration of Independence (New York: Vintage Books, 1942), p. 7.

³⁴"A Prince, whose character is thus marked by every act which may define a Tyrant, is unfit to be a ruler of a free people."

³⁵Tocqueville, Democracy in America (New York: Vintage Books, 1945), vol. 2, p. 102.

DEMOCRACY, THE CONSTITUTION AND THE "SPIRIT OF ACCOMMODATION"

by Alfred Young

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On June 18, 1787, on a very hot Monday in Philadelphia, Alexander Hamilton delivered an address at the Constitutional Convention which ran from five to six hours, and was easily the longest and very likely the most curious speech made to the convention. Beginning with the premise that "all communities divide themselves . . . into the rich and the well born," and adding the corollary that "the mass of people seldom judge or determine right," the delegate from New York moved to his ideal for an American government. He proposed a president elected for life ("to serve during good behavior"), a senate for life, and a house popularly elected for three-year terms; the president was to have the power to appoint the governors of each state and veto any state laws. If others quickly saw the resemblance to King, Lords, and Commons, they were not mistaken; the British constitution, in Hamilton's opinion, was "the best model the world has ever produced."

As important as the speech, was the delegates' reaction to it. There was no discussion; the session adjourned. Gouverneur Morris called the speech "the most able and impressive he had ever heard." Three days later, William Samuel Johnson was more or less accurate in saying that Hamilton's proposals "had been praised by everybody [but] he has been supported by none." A few days later Hamilton

absented himself for a month. He was not exactly a pariah; Washington pleaded with him to return, and he did, to play a small part in the final deliberations. He then signed the finished document claiming "no plan was more remote from his own."

The paths not taken in history often shed light on the paths taken. Douglass Adair has argued with his usual cogency that "we mistake the significance of Hamilton's proposal of an elective monarch as a solution of the crisis of 1787 if we think of his plan as either original or unrepresentative of the thought of important segments of American opinion in 1787." To understand not so much why Hamilton brought forth his plan, but why the Convention rejected it, is an avenue into the heart of the Constitution.

In this paper I will argue that the Constitution was the work of accommodating conservatives who drafted an essentially middle-of-the-road document which, by its very nature, produced different responses among men of a democratic bent. To develop this argument we will need to explore the political experiences of the revolutionary generation. We will turn, first, to the democratic movement and thought that emerged with popular mass resistance to Britain and, second, to the variant conservative responses to this threat. We will then return to the Constitutional

Convention to probe the way conservatives were impelled in democratic directions. Finally we will examine the responses to the Constitution of men who might be considered democratic: those who were hostile, those who gave it qualified support, and those who gave it an enthusiastic endorsement. Taken together, this exploration may contribute towards answering the question "how democratic is the Constitution?" by answering the question, "how democratic was it in 1787?"

I

By the spring of 1774, the democratic threat implicit in mass participation in the resistance to Great Britain was explicit. No one caught this more vividly than Gouverneur Morris, 23-year old scion of the owner of Morrisania, a large tenanted estate in Westchester county, as he observed a huge mass meeting in New York City:

I stood on the balcony and on my right hand were ranged all the people of property, with some few poor dependants, and on the other the tradesmen, etc., who thought it worth their while to leave daily labour for the good of the country. . . . The mob begin to think and reason. Poor reptiles! it is with them a vernal morning; they are struggling to cast off their winter's slough, they bask in the sunshine, and ere noon they will bite, depend upon it. The gentry begin to fear this. . . . I see, and I see it with fear and trembling, that if the disputes with Great Britain continue, we shall be under the worst of all possible dominions; we shall be under the domination of a riotous mob.

More than tactics was at stake: "they fairly contended about the future forms of our Government, whether it should be founded upon aristocratic or democratic principles."

What Morris captured was a moment in a process. A popular movement that had begun with "mob" actions in 1765 was transforming itself. "Sons of Liberty" organizations led by lawyers, sea captains, lesser merchants, and prosperous artisans were giving way to self-led Committees of Mechanics; crowd actions were giving way to public meetings; hitherto deferential mechanics were insisting on direct representation on committees. By the spring of '76, with independence a prospect and a state constitution to be drafted, the Committee of Mechanics insisted it was "a right which God has given them in common with all men, to judge whether it be consistent with their interest to accept or reject a constitution." The process would continue with the transfer of power into the hands of endless committees: committees to enforce boycotts, committees of safety, committees to detect conspiracies.

In 1776 Thomas Paine's Common Sense registered still another moment in the process: the flowering of a democratic ideology. It is difficult not to exaggerate the importance of the pamphlet which went through twenty-five editions in 1776 alone, and was probably read by several hundred thousand

people (and read to thousands more), at a time when a newspaper might reach 2,000, or a pamphlet perhaps 5,000. And it is crucial to recall that Paine offered much more than an argument for independence. He began with a section, "Of the origin and design of government in general" and moved to a section "Of monarchy and hereditary succession" before he got to "Thoughts on the present state of American Affairs," and then returned at the end to further thoughts on a "Continental Charter."

Paine rejected not just King George III, but monarchy in principle; and not just British policies, but "the so much boasted Constitution of England," attacking the underlying assumptions of hierarchy, hereditary rulers, and mixed or balanced government. The pamphlet precipitated not only a debate with Tories over independence but with conservative advocates of independence. For example, John Adams, who thought Common Sense "so democratical, without any restraint or even an attempt at equilibrium or Counterpoise, that it must produce confusion and every Evil work," rushed into print with Thoughts on Government to tutor America's novice constitution-makers.

Paine's creed--it was a set of "hints," he himself said, not a systematic political science--stressed simple government: "the more simple a thing is, the less liable it is to be disordered, and the easier repaired when disordered."

Direct democracy was the ideal, but that being impossible, elected representatives should mirror their constituents, and be elected from convenient districts, at frequent elections, "because. . . the elected might by that means return and mix again with the general body of the electors in a few months." "Let the assemblies be annual, with a President only. The representation more equal," ran an afterthought.

In his vision of a "continental" government, Paine's central principle was "a large and equal representation." A congress should be elected directly by the voters, the states divided into districts, each sending "at least thirty" representatives, with the whole number at least 390; a president elected by the congress on a rotating basis, from among the states, with decisions made by a three-fifths majority. He also proposed a separate body, "a Continental Conference," to draft a "Continental Charter" answering to what is called the "Magna Charta of England." This would be chosen indirectly by a combination of congressmen, state assemblymen, and "representatives of the people at large" assembled "from all parts of the province for that purpose." This "conference" would secure "freedom and property to all men and above all things the free exercise of religion, . . . with such other matters as is necessary for a charter to contain."

These "hints" guided a great many men as they confronted the task of erecting constitutions in their independent states in 1776 and, it is not too much to claim, as they confronted the federal Constitution in 1787-88.

Paine said relatively little about structures. The Pennsylvania Constitution, a victory of radical democrats, may be taken as the democratic creed fulfilled at its extreme. A Declaration of Rights preceded this Constitution. The structure was simple: a one-house legislature with a weak, plural executive. Representation was from districts newly apportioned as to population (to be reapportioned at seven-year intervals.) Elections were annual and rotation required; no one could serve more than four years out of seven. There were no property qualifications for any office (only an oath of allegiance to the new state). Suffrage was open to all taxpayers. Popular participation in the legislative process was the goal of keeping the assembly open and publishing the votes and proceedings. More important, a bill could not become a law until, after the first reading, it was publicized throughout the colony, discussed, and voted upon at the following session. The executive was to carry out the will of the assembly; it was a twelve-person council, elected for three-year terms, one third rotating every year. A Council of Censors, popularly elected, was to review the constitutionality of

laws at seven-year intervals. Supreme Court judges were to be appointed by the executive council for seven-year terms, subject to removal for misbehavior by the Assembly. Other court officials, for example, justices of the peace and sheriffs, were to be selected by the Council from candidates elected by popular vote each year. Finally, under the Pennsylvania Constitution, even militia officers were popularly elected.

In only one important respect did the Pennsylvania Constitution fall short of a widely held democratic ideal. Its architects introduced, but later withdrew, what contemporaries called an "agrarian" clause:

That [since] an enormous proportion of property vested in a few individuals is dangerous to the rights, and destructive of the common happiness of mankind therefore every free state hath a right by its laws to discourage the possession of such property.

One should be wary of making the Pennsylvania Constitution the exclusive litmus test for democratic political thought. Relatively few democrats seem to have argued for a unicameral legislature (only Pennsylvania, Vermont, and Georgia adopted it). As for suffrage, a good many democrats were wary of venturing beyond a small-freehold property qualification, especially where there were large dependent populations like the Hudson Valley

tenants. But more importantly, it was a time when ideas were in flux. Many ordinary men awakening to political consciousness had to find their own minds. As John Jay said of the committee drafting New York's Constitution, "our politicians are like some guests at a feast, are perplexed and undetermined which dish to prefer." We need also to remind ourselves that there was a war on and a need to preserve a coalition.

The war intensified the democratizing process. David Ramsay, the South Carolina physician who wrote one of the first histories of the Revolution in 1789, caught this moment in the process.

When the war began, the Americans were a mass of husbandmen, merchants, mechanics and fishermen, but the necessities of the country gave a spring to the active powers of the inhabitants and set them on thinking, speaking and acting in a line far beyond that to which they had been accustomed. . . . It seemed as if the war not only required but created talents.

One consequence of this process, particularly after the war, was an increase in participation in the political process: more people voting, more seeking public office, more taking part in politics. Mechanics, for example, who formerly endorsed one of their betters, now sought office; the ad hoc Committee of Mechanics became a General Society of Mechanics and Tradesmen, a permanent organization.

A major consequence of all this ferment was to shift the social composition of the state legislatures downward a notch, and sometimes more. Contemporaries spoke of the "new men," "the raw new hands," and the better sort sniffed at "men unimproved by education and unrefined by honor" who now framed laws. The New York legislature, dominated before the war by Livingstons, Schuylers, Van Rensselaers, Delanceys, and Beekmans, "gentlemen" all, did not try, after the war, to raise a quorum at harvest time; too many members were plain farmers. Jackson Turner Main, the scholar who has given the subject the most assiduous attention, has provided elaborate quantitative proof of this shift. What is striking is that it occurred in state senates, designed to be the protectors of large property, as well as in state assemblies. This point, at which the democratic movement of the Revolutionary era had perhaps its greatest impact, was the point of its most threatening potential to conservatives.

II

The democratic political movement was a pervasive force in the Revolutionary era, helping to shape the response of every major political group: popular patriot leaders, loyalists, and conservative patriots.

The "mob" was a problem to popular leaders no less than to Gouverneur Morris. The recent scholarship of Pauline Maier has made clear that for over a decade, Sons of Liberty leaders like Samuel Adams were waging a war on two fronts: to pressure Britain and to control the movements from below. "No violence or you'll hurt the cause," literally was their slogan in Boston. In 1775, Adams was informed by his ally, Elbridge Gerry, a merchant, that a government had to be set up as quickly as possible to replace the British because "the people are fully possessed of their dignity from the frequent delineation of their rights. . . . They now feel rather too much their own importance, and it requires great skill to produce such subordination as is necessary." Adams agreed. Men like Adams and Patrick Henry were not "radicals," if that term is defined as favoring internal political democracy; Adams and Henry both followed John Adams' lead on balanced constitutions and a due "subordination." They were "radical" only towards Britain. They might have agreed "vox populi, vox dei," but they retained their following (which included men in their "establishments" as well as among the commonality) on the basis of their effective, militant leadership in the cause against Britain.

Loyalist men of wealth, it might be argued, were victims of "the mob." Many became loyalists in good part out of the Gouverneur Morris syndrome, out of a fear of their total inability to cope with the "mob," especially when it was transformed into a democratic movement. A number of misleading stereotypes about loyalists have been corrected in recent years. Not all rich men became Tories; on the contrary the dominant wealth of Massachusetts, including Boston, and Virginia, the two centers of the Revolution, was patriot. And not all Tories were rich men; a strain of loyalism and "disaffection" existed among poor whites and black slaves, who, with a kind of inverted class feeling, took the opposite stand from their patriot masters or landlords. But a large number of the rich, especially in the middle colonies, were loyalist. Aristocratic, ridden with the prejudices of their class towards the "meaner sort," unequipped to take part in the hurly-burly of politics, they lacked any models for coping with a popular movement save that of repression or coercion. And so they abdicated political responsibility (as in Philadelphia), or became political and military collaborators with the British, or went into exile (100,000 or so left America during and after the war).

Conservative patriots were drawn from the same social sources as loyalism: the merchant elites of the cities, the landlord estate-holders of the Hudson Valley, the prosperous slaveholders in the South. Why some men raised

with a certain set of social values should turn Tory and others with the same upraising should turn Whig remains a mystery and a matter of general interest, because the split seems to recur in America's history. The experience of the Revolutionary era suggests it may have something to do with the degree of confidence men of wealth had in their ability to deal with democratic movements.

The New York elite offers a case study. Gouverneur Morris's metaphor for the "mob" was a reptile that might bite. To complete it: one had to kill a snake, one rarely tamed it. He also referred to the mob as a horse that had to be whipped. Robert R. Livingston, his associate, had a metaphor more apropos for the tactic he and his fellow conservatives had been pursuing. He was convinced of "the propriety of Swimming a Stream which it is impossible to stem." On the completion of New York's Constitution in 1777, he contrasted the success of his friends with the failure of their counterparts in Pennsylvania: "I long ago advised that they should yield to the torrent if they hoped to direct its course--you know nothing but well timed delays, indefatigable industry, and a minute attention to every favourable circumstance could have prevented us our being exactly in their situation."

They had begun years before: Livingston, John Jay, James Duane, Philip Schuyler, foremost among them, teaching

themselves the tactic of "swimming with the stream" in committee sessions, in electoral politics, and at public meetings. Their task was formidable, facing as they did rivals in the Sons of Liberty and politically conscious mechanics, a merchant landlord elite that was probably more than half Tory, their own tenantry ready to take to arms, and a yeomanry who would have nothing to do with "great men."

The New York Constitution of 1777 was their handiwork. The provisions for voting typify the compromise written into the entire document. Governor and senators would be elected by voters with a £100 freehold; members of the assembly by voters with a £20 freehold, or men who paid 40 sh. rent. The governor would be elected by a written ballot, the other officers by voice voting (which might be discontinued after the war). The governor, elected for a three-year term, would have a veto over legislation exercised with a Council of Revision made up of the high judges, and appointive power exercised with a Council of Appointment made up of four senators. The concessions to democracy were annual assembly elections, a written ballot, larger representation, and compulsory reapportionment. Had extreme conservatives gotten their way, there would have been elections at four-year intervals by voice voting and an upper house and governor indirectly chosen. Had the democrats gotten their

way, there might have been taxpayer suffrage, a secret ballot and annual election of all officers, and no executive veto.

A contemporary said of the result, it "preserved a proper line between Aristocracy on the one hand and Democracy on the other." It was so delicately balanced, said John Jay, that "another turn of the winch would have cracked the cord."

The machinery, however, did not work quite as intended. In the first election, Philip Schuyler was defeated for Governor of New York by George Clinton, whose "family and connections," said Schuyler, "do not intitle him to so distinguished a predominance." The conservatives, having lost, then formed a coalition with Clinton. He appointed them to high positions; he put down the tenant rebellion that threatened their estates; and they supported him politically until the mid-1780's. They could neither control nor influence the "new men" in the New York state legislature, and once this was clear, they turned to national power to curb the state power that had eluded them. Then they broke with Clinton. Years later, when Livingston broke with the Federalists to rejoin Clinton, he spoke of returning to a "close union of the Livingston family with the democratic interests of the state."

The New York experience of 1777--so rich in implications for 1787--may have been more typical than historians have

allowed. As Jackson Main writes, after subjecting the state constitutions to exhaustive scrutiny, "Whig thought seldom appeared in pure form, and when put into practice the pull of democratic ideology distorted the blessed symmetry of a balanced government. In the same fashion, adherents of democracy, confronting both practical circumstances and a determined opposition, diluted their ideal with Whig accretions." In most states the two ideologies "compromised and the resultant moderate constitutions reflected therefore a kind of consensus, genuinely accepted by many Americans, incorporating ideas shared by Whigs and democrats alike."

The gentry in Maryland pursued a different course: they first consolidated their power by an ultraconservative constitution, then they appeased the underclasses to maintain their authority. In Maryland, in addition to a large class of poor whites, tenants, and freeholders, slaves comprised 25 percent of the population, and 40 to 50 percent in some areas. Ten percent of the whites controlled 50 percent of the wealth, and 20 percent controlled 75 percent of the wealth.

Charles Carroll of Carrollton enables us to follow the attitudes of the elite in Maryland. Candidly enthusiastic in '73 for resistance to Britain, by '76 he was fearful the colonies "would be ruined" by the "bad governments" that

would be "simple democracies." He joined his fellow men of large property to draft a Constitution in which property alone ruled. To be a member of the lower house a man had to own a minimum of £500 real or personal property; to be a member of the upper house or the governor's council, or sheriff, a minimum of £1,000; to be governor, £5,000 or more. Voters elected only members of the house and the sheriffs and members of an electoral college (of men worth a minimum of £500); the electors would select the senators, who, in turn (with the members of the house), would select the governor. Under these provisions, only 10.9 percent of all adult white males in Maryland were qualified to serve in the house, and only 7.4 percent in the senate.

The consolidation of elite control only worsened the enormous disaffection from the patriot cause within Maryland, leading to outright loyalist resistance, non-cooperation and refusal to do military service, insubordination in the militia, unrest among the slaves, and the threat of poor white support for slave insurrection. The elite was patriot, and as the most recent scholar of Maryland politics has explained, in 1777 they "anxiously sought to save both their class and the Revolution by popularizing the movement for independence." Their solution, writes Roland Hoffman, was a fiscal program "aimed at subduing the class antagonisms that

underlay much of the internal protest": a tax system under which the planter elite assumed a greater burden, and a tender law that in effect "voided the bulk of all internal credit obligations," severely affecting them as creditors.

Charles Carroll of Annapolis, father of the son who bore his name, and a large moneylender, was enraged; if the lawmakers went so far, what was to stop them from saying, "no man shall hold above 500 acres of land." His son explained the need of conciliation: "The law suits the multitudes, individuals must submit to partial losses; no great revolutions can happen in a state without revolutions or mutations of private property." He was candid: "I have long considered our personal estate, I mean the monied part of it, to be in jeopardy," he explained, "If we can save a third of that and all our lands and Negroes I shall think ourselves well off." "There is a time when it is wisdom to yield to injustice and to popular heresies and delusions." The alternative was worse: "violence and greater injustice."

The gentry in New York and Maryland weathered the storm of the Revolution. From the mid-1780s on it could be argued they faced another storm, if not in their own states, in their neighbors'. There was a general crisis in the "system" --a word in common usage--a new threat which was very difficult to accommodate.

In state after state the "new men" were able to pass, or threatened to pass, paper currency laws, mortgage stay laws, and tax laws shifting burdens to the rich. As James Madison set down the "Vices of the Political System of the United States" on the eve of the Constitutional Convention in 1787, the thrust of his attack was on the "Injustices of the Laws in the States." This was the position paper he wrote for himself which became the basis of his famous speech in the Convention on "enlarging the sphere" and later of the equally important Federalist Number 10. He laid out the meaning of injustice most sharply in his oratory to the Convention:

What has been the source of those unjust laws complained of among ourselves? Has it not been the real or supposed interest of the major number? Debtors have defrauded their creditors. The landed interest has borne hard on the mercantile interest. The Holders of one species of property have thrown a disproportion of taxes on the holders of another species.

Scholars have made much of Shays' Rebellion in Massachusetts in 1786 as a catalyst to conservatives. They are not wrong. There were "combustibles in every state," as Washington put it, and as recent scholarship has verified. One of the "vices" Madison complained of was the "want of guaranty to the states of their constitutions and laws against internal violence." But there was, in a sense, a

danger worse than rebellion. The defeated Shaysites were turning to state elections, said Madison, "by endeavoring to give the elections such a turn as may promote their views under the auspices of constitutional forms." What, he asked, in effect, if they succeeded? This then would be legal Shaysism. This was a danger for which there seemingly was no remedy.

That the "vices" of the state governments were a major factor impelling conservatives to stronger national government is a theme that found its historian in Gordon Wood. As Madison summed it up for Jefferson, these "vices" "contributed more to that uneasiness which produced the convention and prepared the public mind for a general reform, than those which accrued to our national character and interest from the inadequacy of the Confederation to its immediate objectives." Hamilton, in his private conjectures, counted among the "circumstances" in favor of the Constitution "the good will of most men of property in the several states who wish a government of the union able to protect them against domestic violence and the depredations which the democratic spirit is apt to make on property."

Thus, as conservatives became "founding fathers," their priority was to counter the powers of the states with

national power. On this score they were not in any "spirit of accommodation." But to achieve this priority they were ready to practice the accommodation they had mastered in the decade and more gone by.

III

The chief architects of the Constitution were accommodating conservatives. They (a) had experience within their own states dealing with the threat of democratic movements, or (b) were knowledgeable by virtue of their position as national leaders, or (c) were tutored at the Convention in Philadelphia by those who were. If they were not accommodating conservatives they nonetheless took part in a process at Philadelphia in which a middle-of-the-road constitution was the end product.

It is not necessary to go down the list of 55 delegates, as did Charles Beard, culling samples from the debate for their political doctrines. Pennsylvania sent eight delegates, six of whom were ardent supporters of the Republican faction fighting almost since 1777 to overturn their state's radical democratic constitution; they would succeed in 1790. New York sent spokesmen for the opposite sides who had been locked in combat since the early 1780s: Alexander Hamilton, who spoke for the commercial-landlord

aristocracy he had married into, and Robert Yates and John Lansing, supporters of the Clintonian holders of power Hamilton despised. Charles Carroll was elected a delegate from Maryland but was too preoccupied with state politics, it was said, to come; his cousin, Daniel Carroll, came, as did other members of the Carroll faction.

Personal experience with democratic opponents did not automatically turn a conservative to the path of accommodation. The contrast is clear if one takes the two men who, next to Madison, are acknowledged as major shapers of the Constitution, Gouverneur Morris and James Wilson. Morris never got over thinking about popular movements as animals that had to be restrained. And in the Convention he seems to have spoken consistently and often for the conservative solution to problems. He not only admired Hamilton's speech, he agreed with it: "We must have a monarch sooner or later . . . and the sooner we take him, while we are able to make a bargain with him, the better."

James Wilson, on the other hand, who had the searing experience in 1779 of having his house the target of radical militia attack--the famous "Fort Wilson Riot"--was the most consistent advocate among conservatives at the Convention of democratic solutions. Robert McCloskey argues that Wilson:

was more consistent than anyone else, including Madison, in advocating political democracy. He favored direct popular election of both Senate and House, and he joined with Madison in urging that the proposed Constitution be submitted to popularly elected conventions in each state. . . . But when Madison supported a freehold qualification for voting, Wilson opposed it, and Wilson was practically alone in arguing that the president too should be elected directly by the people. . . . Wilson stands forth as one of the most consistent democrats of his era.

An accommodating cast of mind was revealed in the first week in the debate over a resolution in the Virginia plan "that the members of the first Branch of the national legislature ought to be elected by the people of the several states," and not the state legislatures. Elbridge Gerry of Massachusetts, the memory of Shays' Rebellion fresh in his mind, is oft quoted for his remark:

The evils we experience flow from an excess of democracy. . . . He had been too republican heretofore; He was still however republican, but had been taught by experience the danger of the levelling spirit.

But the responses of George Mason, Wilson, and Madison were more typical:

Mr. Mason, argued strongly for an election of the larger branch by the people. It was to be the grand depository of the democratic principle of the Govt. It was, so to speak, to be our House of Commons--It ought to know & sympathise with every part of the community. He admitted that we had been too democratic

but was afraid we sd. incautiously run into the opposite extreme. We ought to attend to the rights of every class of the people. . . .

Wilson then "contended strenuously" for popular elections of the House and Madison followed to argue against the alternative, election by the legislatures:

Mr. Madison considered the popular election of one branch of the National Legislature as essential to every plan of free Government. He observed that in some of the States one branch of the Legislature was composed of men already removed from the people by an intervening body of electors. That if the first branch of the general legislature should be elected by the State Legislatures, the second together with the first; and other appointments again made for subordinate purposes by the Executive, the people would be lost sight of altogether; and the necessary sympathy between them and their rulers and officers, too little felt. He was an advocate for the policy of refining the popular appointments by successive filtrations, but thought it might be pushed too far. He wished the expedient to be resorted to only in the appointment of the second branch of the Legislature, and in the Executive & judiciary branches of the Government. . . .

Gerry then backtracked:

Mr. Gerry did not like the election by the people. . . . Experience he said had shewn that the State legislatures drawn immediately from the people did not always possess their confidence. He had no objection however to an election by the people if it were so qualified that men of honor & character might not be unwilling to be joined in the appointments. He seemed to think the

people might nominate a certain number out of which the State legislatures should be bound to choose.

As one focuses on the debate, as one places the men at Philadelphia in the political context they themselves were so acutely conscious of, it seems to me one can differentiate five factors impelling them in a democratic direction.

First, the political theory to which they subscribed dictated that, to survive, governments had to be adjusted to the mores and customs of the people to be governed. This was Montesquieu. They were building a government to "last for the ages," said Madison. "The British government cannot be our model," explained Wilson. "We have no materials for a similar one. Our manners, our laws, the abolition of entails and of primogeniture, the whole genius of the people, are opposed to it." Mason used the same term: "the whole genius of the people had to be consulted."

Second, there was a short-term political reality. If the Constitution were to be adopted, it had to meet with popular approval. The Convention could not submit it to the state legislatures--they were part of the problem. It had to go to conventions whose delegates would be elected for the sole purpose of voting on the Constitution. The delegates were extremely sensitive to the "people out of

doors." Pierce Butler of South Carolina put it well, in response to a proposal to extend a federal judiciary into the states:

The people will not bear such innovations.
The states will revolt at such encroachments.
Supposing such an establishment to be
useful, we must not venture on it. We must
follow the example of Solon who gave the
Athenians not the best Govt. he could
devise but the best they would receive.

Third, there was the immediate political need to conciliate delegates "within doors." The delegates were hardly of one mind. Delegate Benjamin Franklin for example, the nation's ornament, second in popularity only to Washington, was long a sympathizer with Pennsylvania's democratic constitution. As Clinton Rossiter has pointed out:

[Franklin] would have preferred a constitution with these radically different arrangements: a plural executive, unsalaried and probably elected by the legislature; a unicameral legislature, with representation proportioned to population; annual elections for all holders of public office, including officers of the militia; universal manhood suffrage, with no bow to property; a straightforward, unqualified bill of rights; and an easy method of formal amendment.

George Mason, the author of his state's Bill of Rights, was no less a sage in the eyes of Virginians. Yates and Lansing walked out; Mason, Randolph, Gerry, and Luther Martin stayed to the end, but refused to sign. The chief architects were

anxious to avoid such setbacks. There was also a group of moderate nationalist delegates, in particular from New England, who had to be placated.

Nothing is more revealing of this self-imposed pressure on the delegates to conciliate and placate than Washington's action in the closing hour of the convention. Nathaniel Gorham of Massachusetts, "for the purpose of lessening objections to the constitution," moved to alter the number of representatives in the House from one for 40,000 inhabitants to one for 30,000, a sore point with the democratic-minded. Washington left the chair--he had not spoken through the entire convention--"yet he could not forebear expressing his wish that the alteration proposed might take place. It was much to be desired that the objections to the plan recommended might be as few as possible."

Fourth, the essential theoretical solution the chief architects proposed, "enlarging the sphere," led them in democratic directions. (My listing this fourth does an injustice to its centrality in the thinking of Madison and Wilson.)

This aspect of Madison's thinking is so familiar there is little need to develop it at length here. I read Madison, as I have indicated, as perceiving the chief threat to stem from democratic majorities that had achieved or might

achieve power in the states. In his singularly important speech of June 6, he placed the immediate struggle in a broad historical framework:

All civilized Societies would be divided into different Sects, Factions, & interests, as they happened to consist of rich & poor, debtors & creditors, the landed, the manufacturing, the commercial interests, the inhabitants of this district or that district, the followers of this political leader or that political leader, the disciples of this religious Sect or that religious Sect.

But for fellow delegates, whose mental world may have been confined more to the twenty years gone by in their own state than to ancient Greece and Rome, he made clear that the dangers of the 1780s stemmed from debtors, the landed interest, and propertied taxpayers.

The lesson we are to draw from the whole is that where a majority are united by a common sentiment, and have an opportunity, the rights of the minor party become insecure. In a Republican Govt. the Majority if united have always an opportunity.

"What motives are to restrain them?" Madison asked. The maxim "honesty is the best policy," conscience, religion--little could be expected from any of these. The danger of majorities was worse in "a very small state." Thus

The only remedy is to enlarge the sphere, & thereby divide the community into so great a number of interests & parties, that in

the 1st place a majority will not be likely at the same moment to have a common interest separate from that of the whole or of the minority; and in the 2nd place, that in case they shd. have such an interest, they may not be apt to unite in the pursuit of it. It was incumbent on us then to try this remedy, and with that view to frame a republican system on such a scale & in such a form as will controul all the evils wch. have been experienced.

The implications of this solution were unmistakably democratic. In fact, elsewhere in the same speech, Madison abandoned the term "republican" to argue that to "enlarge the sphere" was "the only defense against the inconvenience of democracy consistent with the democratic form of Gov't." The immediate application of this theory was a house of representatives elected by popular vote. If we return to the debate on this subject, excerpts from which opened our discussion of the Convention, and then add the comments of Madison and Wilson, it is clear they had turned to a popularly elected house as an end run around the state legislatures.

Mr. Wilson contended strenuously for drawing the most numerous branch of the Legislature immediately from the people. He was for raising the federal pyramid to a considerable altitude, and for that reason wished to give it as broad a basis as possible. He also thought it wrong to increase the weight of the State Legislatures by making them the electors of the national Legislature. On examination it would be found that the

opposition of States to federal measures had proceeded much more from the officers of the States, than from the people at large.

If the immediate result of "enlarging the sphere" was a House based on popular election, its long-range implication was equally democratic: the admission of new states to the union on a basis of equality which would "enlarge the sphere" still further. The argument needs no elaboration.

Fifth, and last among the factors contributing democratic results at the Convention, was the force of circumstance: diversity. Diversity, of course, was a source of bitter contention that almost rent the Convention: the differences between the large and small states, between slaveholding and non-slaveholding states, cutting across the differences between agricultural and commercial interests. These differences, as every schoolboy knows, led to the since classic compromises of the Constitution. In the case of such issues affecting democracy as qualifications for voting and office-holding, the diversity of political practice in the states produced a stalemate in which the delegates fell back on the solution of allowing each state to get its own way. The result in both the short run and long run was a democratic plus.

The debate on the suffrage may be taken as an example of the way in which these several factors came into play,

often explicitly, sometimes implicitly. This debate, late in the Convention, was on the article providing for the election of members of the House by whomever was qualified to vote for "the most numerous branch" in each state. Gouverneur Morris, characteristically, moved to amend it, limiting the vote to freeholders, i.e. farmers who owned their own farms, and requiring the national legislature rather than the states to determine the qualifications. The opposition to Morris's amendment came from every point on the political compass. Four excerpts from the debate are illustrative:

Mr. Wilson. It was difficult to form any uniform rule of qualifications for all the States. . . . It would be very hard & disagreeable for the same persons at the same time, to vote for representatives in the State Legislature and to be excluded from a vote for those in the Natl. Legislature.

Col. Mason. Eight or nine States have extended the right of suffrage beyond the freeholders, what will the people there say, if they should be disfranchised. . . .

Mr. Elsworth. How shall the freehold be defined? . . . Shall the wealthy merchants & manufacturers, who will bear a full share of the

public burdens be not allowed a voice in the imposition of them-- taxation & representation ought to go together.

Mr. Ghorum. He had never seen any inconveniency from allowing such as were not freeholders to vote, though it had long been tried. The elections in Phila. N. York & Boston where the Merchants, & Mechanics vote are at least as good as those made by freeholders only.

Even the proponents of a freeholder suffrage, it could be argued, based their argument on some of the same democratic assumptions. Morris said of freeholder suffrage that "the people are accustomed to it and not dissatisfied with it, in several of the states." Dickinson held that "the great mass of our citizens is composed at this time of freeholders and will be pleased with it." In his major rebuttal, Morris made the case shared by many democrats that freeholder suffrage would prevent the growth of an "aristocracy":

The aristocracy will grow out of the House of Representatives. Give the votes to people who have no property, and they will sell them to the rich who will be able to buy them. . . . He did not conceive the difficulty of defining "freeholders" to be insuperable. Still less that the restriction could be unpopular. 9/10 of the people are at present freeholders and these will certainly be pleased with it. As to Merchts. & c. if they have wealth & value the right they can acquire

it. If not they don't deserve it.

Madison was torn. He had no doubt that the issue should be resolved by the Constitution; "the right of suffrage is certainly one of the fundamental articles of republican Government, and ought not to be left to be regulated by the Legislature." But how? On the one hand, he faced the reality of popular opinion:

Whether the Constitutional qualification ought to be a freehold, would with him depend much on the probable reception such a change would meet with in States where the right was now exercised by every description of people. In several of the States a freehold was now the qualification.

On the other, were his fears for long-run stability:

Viewing the subject in its merits alone, the freeholders of the Country would be the safest depositories of Republican liberty. In future times a great majority of the people will not only be without landed, but any other sort of, property. These will either combine under the influence of their common situation; in which case, the rights of property & the public liberty, will not be secure in their hands: or which is more probable, they will become the tools of opulence & ambition, in which case there will be equal danger on another side.

In this speech he left his thought incomplete. In the balloting Virginia voted against Morris's freehold amendment and presumably Madison voted with the majority--the need

for accommodation, the practical, overriding the theoretical.

On the vote, Morris's freehold amendment was overwhelmingly defeated, seven states against, Delaware alone in favor, Maryland divided. Three days later a proposal to require property qualifications for members of the House and Senate "was rejected by so general a 'no' that the States were not called." Not only would the suffrage remain fairly broad (and varied) as it was in 1787 but there would be nothing in the Constitution to prevent the states from broadening their suffrage still further if they choose. Diversity combined with political theory and political reality to produce a democratic result.

IV

Among those with a claim to being called democrats, the response to the Constitution in 1787-88 was divided. Some opposed it; some gave it modified approval; some were enthusiastic supporters. Such division was, after all, what might be expected in response to a middle-of-the-road document.

Democrats who opposed the Constitution were to be found among the anti-Federalists, but not all anti-Federalists were democrats, a fact clarified with customary forcefulness by Cecilia Kenyon. In fact, in a very important way the ideological tables of 1776 were turned. Men who in '76

stressed a Paineite simple government, epitomized by a one-house legislature in which majorities would rule unchecked, now found the checks and balances in the national government inadequate. They did not take the ground that the progressive J. Allen Smith would take in 1906 and Charles Beard would repeat, namely that checks and balances were a means of thwarting democratic majorities. Indeed, they asked for more of them.

The reversal was not all that inconsistent. Many democrats--if not most--had come around to accepting both bicameralism and the separation of powers. The New York anti-Federalists probably agreed with Governor George Clinton that theirs was "our excellent state constitution." They now were convinced that a "consolidated" national government had been created by a few men of wealth whose excessive powers threatened the states.

The starting point in thinking about the Constitution among ordinary anti-Federalists was a raw, gut feeling that the drafters and proponents of the new government were their class enemy. "An apprehension that the liberties of the people are in danger," said Rufus King of Massachusetts, "and a distrust of men of property and education have a more powerful effect upon the mind of our opponents than any specific objections against the Constitution."

The attitude was summed up in one speech at the Massachusetts convention by Amos Singletary, a countryman from Worcester County, a self-taught man of whom it was said he "never attended school a day in his life," and who served in the Provincial Congress and the Assembly:

These lawyers, and men of learning, and moneyed men, that talk so finely, and gloss over matters so smoothly, to make us poor illiterate people swallow down the pill, expect to get into congress themselves; they expect to be managers of this Constitution and get all the power and all the money into their own hands, and then they will swallow up all us little folks, like the great Leviathan, Mr. President; yes just as the whale swallowed up Jonah. this is what I am afraid of. . . .

The political theory of the democratic anti-Federalists was articulated well by Melancton Smith, the leading anti-Federalist debater at New York's ratifying convention. Smith developed his democratic assumptions in a clash over the number of representatives in the House, the issue that had led conservatives to a last-minute accommodation of one congressman for 30,000 instead of 40,000. Smith moved one for 20,000. His concept of representation harked back to Paine:

The idea that naturally suggests itself to our minds, when we speak of representatives, is, that they resemble those they represent. They should be a true picture of the people, possess a knowledge of their circumstances and their wants, sympathize in all their

distresses, and be disposed to seek their true interests. The knowledge necessary for the representative of a free people not only comprehends extensive political and commercial information, such as is acquired by men of refined education, who have leisure to attain to high degrees of improvement, but it should also comprehend that kind of acquaintance with the common concerns and occupations of the people, which men of the middling class of life are, in general, more competent to than those of a superior class.

Smith's underlying fear was that "the influence of the great will generally enable them to succeed in elections." They "easily form associations; the poor and middling class form them with great difficulty" and usually divide among themselves. As a result "a substantial yeoman of sense and discernment will hardly ever be chosen" and the "government will fall into the hands of the few and the great." His sociology told him this was bad.

The circumstances in which men are placed in a great measure give a cast to the human character. Those in middling circumstances have less temptation; they are inclined by habit, and the company with whom they associate, to set bounds to their passions and appetites. If this is not sufficient, the want of means to gratify them will be a restraint; they are obliged to employ their time in their respective callings; hence the substantial yeomanry of the country are more temperate, of better morals, and less ambition, than the great. The latter do not feel for the poor and middling class; the reasons are obvious --they are not obliged to use the same

pains and labor to procure property as the other. They feel not the inconveniences arising from the payment of small sums. The great consider themselves above the common people, entitled to more respect, do not associate with them; they fancy themselves to have a right of preeminence in every thing. In short, they possess the same feelings, and are under the influence of the same motives, as an hereditary nobility. . . . Common observation and experience prove the existence of such distinctions. Will any one say that there does not exist in this country the pride of family, of wealth, of talents, and that they do not command influence and respect among the common people?

In turning to the United States Senate, Smith sought reforms to meet both his democratic assumptions of representation and his fears for the state governments. He argued for the rotation and recall of Senators. Smith wanted Senators to be eligible to serve only six years in any twelve-year period. Recall was necessary because Senators were "the representatives of state legislatures. . . . When a state sends an agent commissioned to transact any business, or perform any services, it certainly ought to have a power to recall." He spoke for an amendment to limit the President to one term, which he was willing to lengthen to seven years. He also wanted the President's military powers and powers of appointment curbed. And to set back the federal judicial power Smith favored a series of

curtailing amendments.

The New York convention, under Smith's leadership, proposed a long series of amendments which would have seriously altered the structure of the federal government. When the Bill of Rights Amendments were passed, Abraham Yates, the stormy petrel of New York anti-Federalism, pronounced them "unimportant and trivial" compared to what was sought.

We may let Thomas Jefferson speak for those moderate democrats who gave the Constitution qualified support and rapidly swallowed their objections. This generation is sanguine about the limitations of Jefferson's aristocratic liberalism; the darker side of his record on civil liberties, his failures on slavery and racial equality, his own insistence that what is practical must control what is theoretical. On reflection, he still qualifies as a democrat, albeit a moderate one, compared to, say, a Philadelphia militia man. A Whig, an advocate of balanced government and the separation of powers, he was nonetheless a severe critic of the rampant inequality of representation in Virginia. And, however much he hedged his faith in the people, he had an uncommon confidence in popular majorities.

Jefferson was abroad, in Paris as America's minister to France, throughout the Convention. Although predisposed

to be favorable to a stronger government, Jefferson was surprisingly hostile in his initial reactions to the Constitution. There were "things in it which stagger all my dispositions to subscribe to it." "All the good," he wrote John Adams, "might have been couched in three or four new articles to be added to the good, old and venerable fabric, the Articles of Confederation, which should even have been preserved as a religious relic." "I find myself nearly a neutral," he wrote another. "There is a great mass of good in it, in a very desirable form; but there is also to be a bitter pill or two." When Thomas Paine arrived in Paris, Paine, Jefferson, and LaFayette debated the document "in a convention of our own as earnestly as if we were to decide upon it," LaFayette said.

Gradually Jefferson softened. To Madison he couched his thoughts as "what I like" and "what I do not like." He liked the idea of the central government "which should go on of itself peaceably, without needing continual recurrence to the state legislatures," the three branches in the federal government, the power of the House to vote taxes, and "the negative given to the executive with a third of either house," although he would have liked the judiciary to be involved. In short, the moderate democrat did not balk at a national government, at separation of powers, the

Presidential veto, or even at judicial review.

What he did not like was, "first, the omission of a bill of rights," a well-known point he would belabor at length and with passion to Madison. "A second feature" he "greatly disliked," "is the abandonment of the necessity of rotation in office, and most particularly in the case of the President." He was convinced that "the first magistrate will always be reelected. . . . He is then an officer for life." He feared this especially because of the danger of the influence of foreign nations. "An incapacity to be elected a second time" was "the only effectual preventative." These were his likes and dislikes.

It was characteristic of his political thinking that he turned from the Constitution to Shays' Rebellion, giving another admonition against repression that might smother the spirit of liberty: "I own I am not a friend to very energetic government. It is always oppressive." And it was especially characteristic that he concluded by saying he would go along with the majority on the Constitution. "After all it is my principle that the will of the majority should always prevail. If they should approve the proposed Constitution in all its parts, I shall concur in it cheerfully, in hopes that they will amend it whenever they shall find it works wrong." He thus in effect saw no

obstacle to a majority in the amending process.

To force a Bill of Rights, Jefferson would have preferred ratification by less than the required states. Once ratification occurred he shifted rapidly. Soon the Constitution was "unquestionably the wisest ever yet presented to men" and The Federalist the wisest book ever written on government. The fact that Jefferson could change and change so rapidly may well be set down as testimony to the powerful pull of the positive democratic features in the document.

The democrats who gave the Constitution enthusiastic backing were the artisans of the major cities. Support was overwhelming, from all but a small minority of the "mechanic classes." In Philadelphia the vote averaged about 1200 for Federalist convention delegates to about 150 for the anti's. In New York (with universal male suffrage prevailing) it was 2700 to 150. And in Boston, where mechanic voters in the town meeting helped anti-Federalist Samuel Adams, their traditional spokesman, mechanic pressure--meetings and lobbying--turned Adams around.

Artisans in '76 had been supporters of democratic constitutional reform. On what basis did they support the Constitution of '87? Thomas Paine gives us some clues. Centered in Philadelphia from '74 to '87, when he left for

Europe on the eve of the Philadelphia Convention, Paine came as close as any man to being a spokesman for urban artisans, and a hero to them. He was unquestionably a democrat; he defended the beleaguered Pennsylvania Constitution as "good for a poor man." But from the outset of the Revolution he was also a nationalist; Common Sense had called for a nationally elected assembly and Paine, at the center of the effort to mobilize support for the war, was always keenly aware of the inadequacies of the Confederation. "The continental belt is too loosely buckled," he put it. Post-war experiences only strengthened this conviction. As Britain dumped manufactures in America, as commerce stagnated, keeping shipbuilding at a low ebb, artisans promoted vigorous demands for tariff protection and the promotion of commerce. Meanwhile, nationalist business leaders like Robert Morris sought support for bank charters, and all nationalists sought a source of independent revenue for the federal government. In Paine, all these movements converged. By 1786 an alliance of artisans and merchants was a reality.

In France, Paine's response to the Constitution was similar to Jefferson's. There was a compelling need for national union. "Thirteen staves and ne'er a hoop will not make a barrel," he wrote; "any kind of hooping the barrel,

however defectively executed would be better than none."

Paine boasted that as early as 1776 Common Sense called for "a convention to form a continental association," and that in 1782, he had made the same proposal in a letter to Robert R. Livingston, then Minister of Foreign Affairs. He was not ashamed to admit that he had a meeting to discuss it with Livingston, Robert Morris, and Gouverneur Morris --all of whom, we might add, found the Constitution of Pennsylvania "bad for a rich man."

Paine's criticism of the Constitution resembled Jefferson's only in the absence of a Bill of Rights. He objected to the Presidency. He had "always been opposed," he explained, "to a single executive." "A plurality is far better. It combines the mass of a nation better together. And besides this, it is necessary to the manly mind of a republic that it loses the debasing idea of obeying an individual." He objected, too, to "the long duration of the Senate," and he seems to have had misgivings, not spelled out, as to the general framework of the federal government. The Constitution was "a copy, though not quite so base as the original, of the form of the British Government."

The saving grace in the Constitution, for Paine as for Jefferson, was the possibility of amending it:

It was only the absolute necessity of establishing some Federal authority, extending equally over all the States, that an instrument so inconsistent as the present Federal Constitution is, obtained a suffrage. I would have voted for it myself, had I been in America, or even for a worse, rather than have none, provided it contained the means of remedying its defects by the same appeal to the people by which it was to be established. It is always a better policy to leave removable errors to expose themselves than to hazard too much in contending against them theoretically.

If artisans had any of Paine's misgivings about the Constitution, they seem to have left no record of them. They made their political thought clear in a form not usually "read" by students of political thought--massive parades celebrating ratification in 1788, the largest parades in American history to that time: Boston, 4,000 marchers; New York, 5,000; Philadelphia, 5,000 to 6,000; Charleston, 2,800; and proportionate numbers in lesser cities like Baltimore, Annapolis, Savannah, New Haven, and Portsmouth. Mechanics, who comprised from one-half to two-thirds of the urban adult males, were easily that proportion of the total marchers. The parades were arranged by city officials or politicians, often with mechanics on the planning committees and meeting separately to plan their participation. They were hardly coerced--indeed, as Richard Morris has observed,

they were "joyous" affairs; they may be taken as expressions of their own thought.

What do the parades show us? First, the parades showed craft consciousness, an overwhelming pride of craft. "By Hammer and hand All arts do stand" was the slogan of the General Society of Mechanics and Tradesmen of New York, and each trade expressed this. Mechanics marched by trades, arranged either alphabetically from bakers to wheelwrights, or by "branch" in separate units, for example, the building trades or the leather trades. Masters marched at the head of journeymen and apprentices. Each trade displayed either a finished product dubbed with an appropriate name, the bakers with a huge "Federal Loaf" of bread; or featured a float on which men plied their trade, the coopers making a barrel, hooping thirteen staves together, the printers casting off copies of the Constitution from a press. In almost every large city a feature was a miniature ship mounted on wheels drawn by teams of horses, built by the ship carpenters, variously called "the Ship of State," "The Constitution," or, in New York, "The Hamilton." Artisans displayed banners with the traditional symbols of their trade, repeating the coats of arms of London guilds or allegorical symbols establishing the antiquity of the craft, such as the tailors with a banner of Adam and Eve properly

covered with fig leaves and a slogan, "They did sew fig leaves together."

Second, artisans, by the slogans on their banners in the parades, made clear their views on political economy.

Blacksmiths and nailers spoke for protection for manufactures:

While Industry prevails
We need no foreign nails.

The chairmakers wanted new markets for the export of manufactures:

The Federal States in union bound
O'er all the world our chairs are found.

The shipwrights sought expanding commerce:

This federal ship will our commerce revive
And merchants and shipwrights and joiners shall thrive.

Lastly, their slogans suggest the larger political aspirations they saw tied in with the Constitution. The bricklayers:

Both Buildings and rulers are the work of our hands.

The printers, with a portrait of Benjamin Franklin:

Where liberty dwells there is my country.

The tallow chandlers:

The stars of America, a light to the world.

The upholsterers carried an elegant "Federal chair of state," supported by symbols of Liberty and Justice, "to

the right a comely lad in the character of Liberty, supporting in his right hand the staff and cap of liberty, on the left another handsome lad bearing in his right hand the sword of justice and in his left the balance."

Clearly to all these artisans the Constitution was the fulfillment of the spirit of '76, not its negation. Protection for American manufactures was a leitmotif of mechanics from the first boycotts of British goods in the 1760s. And the right to participate in political life--a voice, recognition, respect--was the sine qua non of their democratic aspirations. Moreover, there was something in the very process by which the Constitution had been adopted--a convention, submission to the people, discussion, the election of delegates--which ran very close to the conception advanced by Thomas Paine and the New York mechanics in 1776. And they clearly must have seen in the Constitution itself an opportunity for the continued expression of their aspirations.

If we return, after this long excursion into the revolutionary era to Hamilton's proposal at the Convention, it is not at all hard to see why it was rejected. It went too far: too far in "extinguishing" the states; too far towards a king, lords, and commons. Hamilton was too astute not to know it. He later said he knew it "went beyond the

ideas of most members" but "it was brought forward to make it the subject of discussion," "not as a thing attainable by us, but as a model which we ought to approach as near as possible."

A month later Hamilton was back with a second plan, considerably less "high-toned." At the end he signed the document, his insistence that it was "remote" from his own, true, if artful. He then joined Madison to write The Federalist papers, putting the Constitution in its most republican light. And he fought for ratification at the New York convention on the same basis; "he is quite a republican," said an "anti-" ("But he is known"). Thus in his own way, it might be argued, Hamilton gave proof that he, too, was an "accommodating conservative," or, if he was not, that he was part of an accommodating process that was yet to run its course.

DECENT EVEN THOUGH DEMOCRATIC

by Ann Stuart Diamond

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If the republican form is, as all of us agree, to be preferred, the final question must be, what is the structure of it that will best guard against precipitate counsels and factious combinations for unjust purposes, without a sacrifice of the fundamental principle of Republicanism.

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[N]o government of human device and human administration can be perfect; . . . that which is the least imperfect is therefore the best government; . . . the abuses of all other governments have led to the preference of republican government as the best of all governments, because the least imperfect; [and] the vital principle of republican government is the lex majoris partis, the will of the majority. . . .

--James Madison, 1834

How democratic is the Constitution? Perhaps some clarification of terms will be helpful as a prelude to answering the question. Just what is a democratic constitution? Three obstacles make it difficult to reach agreement on the essentials of a democratic constitution. The first obstacle is that the modern success of utopianism interposes between us and the American founding a radical theory of democracy, which, among other things, rests on a belief in the perfectibility of man by means of the right political and social institutions.¹ The second obstacle is that Americans have no way to understand what aristocracy

really means--Tocqueville is an invaluable guide here-- for we have never had any real experience of aristocracy. Our lack of any aristocratic tradition accounts both for suspicions that it lurks everywhere, particularly in the eighteenth-century origins of the American polity, and for the error of mistaking for an aristocratic manifestation whatever slows the expression of the majority will.² And the third obstacle is the problem of correctly interpreting the founders' "cool acceptance" of democratic government. Equal emphasis must be placed on "cool" and on "acceptance." Nowhere is this treated more profoundly than in the work of Martin Diamond.³ The details of his analysis will be considered later. Here it is important to see why this is an obstacle to agreement on what qualified as a democratic constitution. In a sentence: We do not acknowledge as democratic a view of democracy that treats it as a problem, rather than as an unqualified good.

With these obstacles in mind, let us now consider James Madison's definition of a democratic constitution,⁴ found primarily in The Federalist. In Number 10 he distinguished between a "pure democracy" and a "republic" and in so doing gave to the concept of republic "an exclusively democratic content."⁵

[By] pure democracy, I mean a society, consisting of a small number of citizens, who assemble and administer the government in person. . . .

[By] a republic I mean a government in which the scheme of representation takes place. . .

The two great points of difference between a democracy and a republic, are first, the delegation of the government, in the latter, to a small number of citizens elected by the rest; secondly, the greater number of citizens, and greater sphere of the country, over which the latter may be extended.⁶

Then, in Number 14, Madison wrote:

The true distinction between these [democratic and republican] forms . . . is, that in a democracy, the people meet and exercise the government in person; in a republic they assemble and administer it by their representatives and agents.

And again, in Number 39:

The first question that offers itself is, whether the general form and aspect of the government be strictly republican? It is evident that no other form would be reconcileable with the genius of the people of America; with the fundamental principles of the revolution; or with that honorable determination, which animates every votary of freedom, to rest all our political experiments on the capacity of mankind for self-government.

In trying to define the republican form, Madison ruled out reference to other political writers, because of "extreme inaccuracy with which the term has been used in political disquisitions." For example, Holland had been

described as a republic, yet no part of ultimate political authority derived from the people; Venice, also called a republic, located supreme power in the hands of a small number of hereditary nobles. Poland, a combination of the "worst forms" of aristocracy and monarchy, was likewise described; and, finally, England, with only one republican branch, was often listed among republics.

Madison, therefore, carefully developed the new, wholly popular definition of republicanism he introduced in Federalist 10.

[W]e may define a republic to be, or at least may bestow that name on, a government which derives all its powers directly or indirectly from the great body of the people; and is administered by persons holding their offices during pleasure, for a limited period, or during good behavior. It is essential to such a government, that it be derived from the great body of society, not from an inconsiderable proportion, or a favored class of it; . . . It is sufficient for such a government, that the persons administering it be appointed, either directly or indirectly, by the people; and that they hold their appointments by either of the tenures just specified; otherwise every government in the United States, as well as every other popular government that has been or can be well organized or well executed, ⁷ would be degraded from the republican character.

A republic, then and henceforth, is a representative democracy. Both a republic and a democracy belong to that class of government named popular, that government which includes all "forms of rule by the many, as distinguished from the various forms of rule by the few or the one."⁸

In fact, the terms republic, democracy, and popular government are used interchangeably in The Federalist, at the federal convention, and in the correspondence of both Madison and Hamilton.⁹ Madison uses republic to mean government by the majority throughout his writings.¹⁰

In simplest terms, a democratic constitution can be defined as one in which the will of the majority prevails, or in which the majority rules. Whether this rule is exercised directly (pure democracy) or indirectly (representative democracy or republic), the principle is the same: both forms of rule rest on the "capacity of mankind for self-government." Notice, however, that this basic definition does not require liberty, but does require political equality. In other words, majority rule is compatible with nonliberty, as the pre-founding history of majority or democratic rule taught. And that had been the problem of democracy.

In the remainder of the essay I will attempt to show that the answer to the question, how democratic is the constitution, is that it is entirely so. To demonstrate this, I will examine the relationship between the Declaration of Independence and the Constitution, the act of founding, the institutions created thereby, and the political behavior generated by those institutions. This

is the teaching of Martin Diamond's work on the founding. If, as Diamond (and I) believe, the U.S. Constitution is wholly democratic by intention, perhaps we may conclude the essay by asking, why be democratic?

But the common view is not at all that the Constitution is entirely democratic. The Constitution is considered a conservative document, intended to protect the privileges (or "liberty") of the propertied classes, against the sentiments and actions inspired by that "democratic manifesto," the Declaration of Independence. In this view the Declaration is "thought to proclaim a democratic regime in which government functions by consent of the governed in such a way as to secure a free society."¹¹ This is almost the exact reverse of the way the founders understood their handiwork, and a sober rereading of the Declaration supports them. The Declaration established the criteria for the ends of legitimate government and thereby made the compelling case that a people have a right to their own government. Following the teaching of John Locke, the only legitimate end for government became the securing of liberty.

We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness--That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever any Form of Government becomes destructive of these Ends, it is the Right of the People to alter or abolish it, and to institute new Government, laying its Foundations on such principles, and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness.

The phrases "created equal" and "consent of the governed" are now understood within a "horizon of egalitarian democracy" instead of in the context of their adoption--the "horizon of liberty of the founding generation" (in Diamond's words).¹² And that is what misleads us. "Equal" in the Declaration does not mean the egalitarianism, the human equality in all things, that so dominates contemporary thinking. In Jefferson's original draft the actual meaning is quite clear: all men are "created equal and independent" and from that "equal creation they derive rights inherent and inalienable." "Independent" refers to the condition of man before he enters into political society. "The social contract theory upon which the Declaration is based teaches not equality as such but equal political liberty."¹³ Men are born into a state of nature in which they are absolutely independent of every other man. In John Locke's theory (from which the

Declaration draws heavily), this equal independence gives each perfect freedom from the other. Leaving the state of nature to enter political society, men give up their equal perfect freedom for equal "unalienable rights" in civil society. Equality as it is described in the Declaration is the "equal entitlement of all to the rights which comprise political liberty, and nothing more."¹⁴ Here we can look to Lincoln for clarification: "The authors of that notable instrument. . . did not intend to declare all men equal in all respects. They did not mean to say all were equal in color, size, intellect, moral developments, or social capacity. They defined with tolerable distinctness, in what respects they did consider all men created equal--equal in 'certain unalienable rights, among which are life, liberty, and the pursuit of happiness.'"¹⁵

The Declaration does not say that a government shall be instituted that operates by consent of the governed, i.e., democratic government. Instead, the Declaration argues that consent is necessary to institute or establish a government on such principles as shall be chosen by the governed. The document is simply silent as to the form of government adequate to secure these unalienable rights. Indeed, one acceptable form was to be found in England, whose mixed or balanced government was universally admired

as the freest government in history. Writing to Thomas Jefferson in 1825, James Madison characterized the Declaration thus to its author:

Sydney and Locke are admirably calculated to impress on young minds the right of nations to establish their own governments, and to inspire a love of free ones, but afford no aid in guarding our Republican charters against constructive violations. The Declaration of Independence, tho rich in fundamental principles, and saying everything that could be said in the same number of words, falls really under a like observation.¹⁶

Madison is saying that the Declaration teaches the right to one's own government and the love for free government, but that it contains no principles enabling like-minded men to protect republican (democratic) charters from being construed or administered into a different form of government. Jefferson found nothing to disagree with in this. Both men would concur in the analysis so far--that the Declaration is a most powerful statement against colonial rule and for free governments, those whose end is liberty.

Therefore, the Declaration offers no guidance as how best to secure liberty. "Any form is legitimate, provided it secures equal freedom and is instituted by popular consent."¹⁷ Accordingly we turn now to the framers and their posture toward democracy, and to the relationship

between the Declaration and the Constitution. Nowhere are these matters treated more thoughtfully than in the following words of Martin Diamond.

With the Constitution the Americans completed the half-revolution begun in 1776 and became the first modern people fully to confront the issue of democracy. But, again, the American Revolution precisely in its revolutionary thrust was simultaneously distinctively sober. . . .

The sobriety lies in the Founding Fathers' coolheaded and cautious acceptance of democracy. Perhaps not a single American voice was raised in unqualified, doctrinaire praise of democracy. On the contrary, there was universal recognition of the problematic character of democracy, a concern for its weaknesses and a fear of its dangers. The debate in American life during the founding decade gradually became a debate over how to create a decent democratic regime. Contrary to our too complacent modern perspective regarding democracy, which assumes that a government cannot be decent unless democratic, our Founding Fathers more skeptically, sensibly, and soberly were concerned how to make this new government decent even though democratic. All the American revolutionaries, whether they were partisans of the theory that democratic republics had to be small or agrarian or only loosely confederated in order to remain free, or whether they retained the traditional idea that democracy had to be counterbalanced by nobility or wealth, or whether they subscribed to the large-republic theory implicit in the new Constitution--all the American revolutionaries knew that democracy was a problem in need of constant solution, in constant need of moderation, in constant need of institutions and measures to mitigate its defects and guard against its dangers. ¹⁸

The framers, at one with the great tradition of political philosophy, viewed every form of government as problematic, as having its own peculiar liability to deterioration. Their concern was the possible corruptions of the form of government they were contemplating--the democratic form--and they spoke frankly of democracy's defects and undesirable propensities.¹⁹ Statements like that of Edmund Randolph appear at the federal convention, that the "general object was to provide a cure for the evils under which the U.S. had laboured; that in tracing these evils to their origin every man had found it in the turbulence and follies of democracy: that some check therefore was to be sought for agst. this tendency in our Governments." Elbridge Gerry similarly noted that "The evils we experience flow from the excess of democracy. The people do not want virtue; but are the dupes of pretended patriots. . . . He had been too republican heretofore: he was still however republican, but had been taught by experience the danger of the levelling spirit."²⁰ These statements have been understood as a rejection of democracy itself; in fact, they were occasioned by a discussion of the composition of the House of Representatives; when the discussion is read as a whole it becomes clear that the delegates were talking about the constitution of a legislative body within a democratic

government. The very intensity of the concern about the dangers of the democratic form demonstrates that the framers were determined both to be democratic, and to avoid the classic problems of democracies.

The great problem of democracies had been majority faction, or as it has come to be known (largely due to the influence of Tocqueville and John Stuart Mill), majority tyranny. Not only did history teach that democracies inevitably degenerate into mob rule; it also taught that the tyranny of the majority was worse than other tyrannies. Edmund Burke has a superb description of the meaning of this democratic possibility.

In a democracy the majority of the citizens is capable of exercising the most cruel oppressions upon the minority, whenever strong divisions prevail in that kind of polity, as often they must, and that oppression of the minority will extend to far greater numbers and will be carried on with much greater fury, than can almost ever be apprehended from the dominion of a single sceptre. . . . Under a cruel prince they have the balmy compassion of mankind to assuage the smart of their wounds and they have the plaudits of the people to animate their generous constancy under their sufferings; but those who are subjected to wrong under multitudes are deprived of all external consolation; they seem deserted by mankind, overpowered by a conspiracy of their whole species.²¹

In Federalist 10, James Madison offers his solution to the problem of majority faction, and in Federalist 51 he argues the necessity of "auxiliary precautions" as part of that solution; both papers rest on the sure but vulgar base of self-interest. These essays were intended by Madison to be complementary parts of a single, coherent argument; but, as it turned out, Federalist 51 proved to be peculiarly objectionable to one group of critics, the ultrademocrats, and Federalist 10 has come to repel a very different group of critics, the lukewarm democrats. To the extreme democrat the auxiliary precautions described in Federalist 51 are certain evidence of the founders' rejection of democracy. These arrangements, including separation of powers, checks, balance, the electoral college, and even federalism, are thought to be clearly antidemocratic means for preventing the majority from ruling. On the other hand, those skeptical about democracy as such are repelled by the liberation of self-interest, especially economic self-interest, in Federalist 10.

Madison's possible response to these two groups will come to light, if we examine more carefully the relationship of self-interest and democracy in the work of the founders.

Madison's solution and the constitutional order derive from a view of human nature that has a good deal more in common with the ancient view than with the post-utopian socialist view. The American theory of human nature denies the perfectibility of man, recognizes the primary role of self-interest in human behavior, and derives from the universality of human passions (possessed equally by all men regardless of capacity) a profound argument for equal entitlement to rights in civil society. Diamond points out that a consequence of this "debunking" view of human nature is a new and more persuasive case for democracy as such. He finds that this realistic view of man is even more devastating to the "claims or pretensions of the few than it is of the many."²² Eighteenth-century thinkers and the founders believed that, for the first time, they had the means to render democracy safe; theirs was the "new science of politics." Madison's claim in Federalist 10--"[t]o secure the public good and private rights against the danger of [majority] faction, and at the same time to preserve the spirit and the form of popular government, is then the great object to which our inquiries are directed. . . . [I]t is the great desideratum by which alone this form of government can be rescued from the opprobrium under which it has so long labored and be recommended to the esteem and adoption of mankind"--should

not be taken lightly. Coupled with a longstanding awareness of democracy's dangerous propensities, was a new belief in the "capacity of mankind for self-government."

The "new science of politics," based on a debunking view of human nature, used an arrangement of institutions to create stable, decent democratic government, and to free a vast part of human existence from government control. This was to be a government of limited objects or purposes, because the founding generation still understood that great governmental power--even democratic governmental power--is always dangerous to liberty, and that liberty was the appropriate end of all government. But, as Madison explains in Federalist 10, "when a majority is included in a faction, the form of popular government, . . . enables it to sacrifice to its ruling passion or interest both the public good and the rights of other citizens." An arrangement of government institutions will not be sufficient to avert abuse of power unless a way can be found simultaneously to neutralize the democratic problem, majority faction.

We have Madison's answer to this problem in the Tenth Federalist--rich and complex, our foremost political writing. The prerequisite for his solution is the principle of representation, which makes possible extent

of sphere embracing a "great variety of interests, parties, and sects." Madison's democratic remedy for the defects of democratic government is a very large republic. He theorizes that the sheer number and variety of groupings would prevent any single one from dominating national politics to the detriment of the whole. In order for a majority to form, a necessary coalescing process would occur, moderating "these majorities so that free and competent government would result democratically from them."²³ Madison recognized that there were sources of interests and parties that could be almost fatal to this process. Among them are religious conflict (where the number of contending religions is small, perhaps as few as two, and where there is a connection between civil and religious authority), and conflict between the few rich and the many poor. Accordingly, his solution seeks to suppress these great and traditional sources of conflict and to replace them with the comparatively harmless economic conflict that results when "acquisitiveness" is "liberated" in a modern commercial setting. Economic competition among different "kinds of property," instead of primarily between rich and poor "degrees" of property, will be characteristic of modern society in a large diverse republic. The variety of property made possible by size

is crucial to the success of the constitutional system. As Madison writes in another place, "Divide et impera, the reprobated axiom of tyranny, is under certain qualifications, the only policy, by which a republic can be administered on just principles."²⁴ He explains in a letter to Jefferson that in a republican government, "where the majority must ultimately decide," a majority cannot be prevented from oppressing the minority, unless you so enlarge the sphere that "no common interest or passion will be likely to unite a majority of the whole number in an unjust pursuit. In a large Society, the people are broken into so many interests and parties, that a common sentiment is less likely to be felt, and the requisite concert less likely to be formed, by a majority of the whole." The same security is necessary for the religious as well as the civil rights of individuals.

The crucial elements of Madison's system are representation, which makes possible a large republic, and a modern commercial system along the lines suggested by the writings of Adam Smith. Mr. Justice Holmes to the contrary notwithstanding, the American constitution is not neutral with regard to economic philosophies--a point that cannot be overemphasized in an age when even enthusiastic proponents of commerce wish to forget this essential relationship. American democratic stability,

decency, and liberty rest on the foundation of relatively unfettered private commerce, and on the tireless struggle among individuals for their own material improvement.

We must be absolutely clear about what Madison said in Federalist 10. The first object of government is not to protect property as such, it is to protect the diversity in the faculties of men giving rise to the differing degrees and kinds of property upon which the system relies. The protection of:

The diversity in the faculties of men, from which the rights of property originate, . . . is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors ensues a division of the society into different interests and parties. [Emphasis mine.]

Madison goes on: "The regulation of these various and interfering interests forms the principal task of modern legislation and involves the spirit of party and faction in the necessary and ordinary operations of government."

Note that Madison presents a radically modern (in contrast to the ancient) view of the legitimate role of government. It is sharply limited. He insists, however, that regulation is necessary to preserve and encourage the preconditions for decent democracy; this is not laissez-faire economic thinking. Government action is necessary to keep the system

open and available to the largest possible number of participants, for only wide participation in the economic system can produce the desired results. Self-interest is the impetus, and fragmentation of tyrannical majorities is the consequence, of the successful working out of the human energies thus set in motion.

But surely in the "auxiliary precautions" or institutional arrangements considered by Madison in Federalist 51 are evidence that the framers designed a constitution with at least some nondemocratic elements. (I hesitate to use the word, aristocratic, so convinced am I that nothing approaching a real aristocracy--privilege inherited through birth--can be found in America.) Surely the American constitution is a mixed one; what about separation of powers? Yet Hamilton claims in Federalist 9 that separation of powers is part of the "new science of politics": "the regular distribution of power into distinct departments." Two points can be made here: first, separation of powers, although frequently confused with mixed regime or balanced government, is neither. Second, as a device it is only efficacious in a wholly democratic society.

Balanced government or mixed regime is an arrangement in which governing power is divided between the few rich and the many poor (as in Aristotle), or among the three

estates or orders in society, the royalty, the nobility, and the commons. It was believed that in this way no one part of society could tyrannize over the others and, in the ancient case, that each part could realize at least partially the conception of justice appropriate to it. What is crucial to a proper understanding of separation of powers, is that these orders or classes must exist in some fixed way in society; if they do not pre-exist, they cannot be invented for the purposes of such an arrangement. In other words, only a political community which consisted of these three classes could have a mixed regime, or balanced government. This point, which seems painfully obvious, nevertheless needs to be emphasized. America lacked the necessary requisites for mixed government--the elements to mix. The same holds true for a mixture of rich and poor. In a society where these classes are fixed, as in ancient Greece, a mixed government was possible. In a society where, by definition, these are fluid groupings, with the majority of the population tending toward a middle economic "class," there is no basis for such an arrangement.²⁵

The confusion about separation of powers became apparent almost immediately upon its formal introduction into the American constitutional order, and can be found

in both John Adams and Thomas Jefferson.²⁶ Adams never quite disentangled separation of powers from balanced government in his own thinking, and, according to one scholar, tried to "define republicanism so as to accommodate the balance of the English constitution without 'either an hereditary king or an hereditary nobility.'"²⁷

The necessarily democratic character of separation of powers is compellingly argued by Diamond, and two of his points are indispensable here. First, "democracy is the precondition for the successful operation or working" of the device, and second, "the separation of powers is intelligible only if conceived as aiming at the amelioration of modern democracy; that is, the separation has as its purpose the improvement of democracy in particular and not of government in general."²⁸ His argument can only be suggested. Taking the second point first, it is that this arrangement aims at individual liberty, and at limiting politics and government to "general and equal laws and their fair execution." These are peculiarly democratic problems and democratic goals.

How does it work? The powers of government are divided according to the theory of their function, and placed in that branch where they can be most appropriately

exercised--law-making powers in a legislative branch, etc. The success of the arrangement depends, Madison explains in Federalist 51, on "giving to those who administer each department the necessary constitutional means and personal motives to resist encroachment of the others." "Ambition must be made to counter ambition. The interest of the man must be connected with the constitutional rights of the place." Officeholders will tend to identify their own self-interest with the integrity of their office, and this will incline them toward opposing extreme and foolish measures, much of the time. The cause of liberty is served by the great difficulty which three separated branches would find in any effort to unite to oppress the populace. Here again, self-interest and jealous guarding of the powers of one's own office play the vital role.

These concepts are connected to the vital understanding that separation of powers will work only in a democracy. Diamond demonstrates this by showing that separation of powers could not produce the desired effects under certain conditions: where there is a "powerful, distinct, permanent interest in society, adverse to the rights and interests of all the others," and where family interests, profound religious divisions, or fixed oligarchical classes dominated society.²⁹ For example, if a disciplined

ideological party came to have dominant political power, the commitment to ideology would overrule the necessary attachment to the peculiar interests of one's office and its responsibilities and duties, upon which separation of powers depends. Instead, "these disciplined ideologues would function as a unified force thereby rendering the separation nugatory." Diamond further argues that the shared interests and perspectives of family, religion, or oligarchy would serve equally to destroy the separation; that is, these attachments would take precedence. The arrangement of separation of powers presupposes instead Madison's "heterogeneous modern large-scale representative democracy."

If separation of powers is a wholly democratic institutional device, what in the Constitution is nondemocratic, either in intention or in its operation or effect? The answer to the question depends on our perspective on democracy, and the perspective common today is described at the beginning of this essay. Is it nondemocratic to slow down and moderate the will of the majority? Why? Should we take seriously the radical democratic critique of an allegedly nondemocratic constitution, that regards arrangements to produce decency and liberty as undemocratic? This amounts to saying that the only democratic constitutions are those which produce,

by means of instant majority action, foolish, even tyrannical policies. Were this so no reasonable man could actually prefer democracy--not even the ultra-democratic critics of the Constitution.

Similar misgivings apply to the critique of the American Constitution by those lukewarm toward democracy. Their analysis rests on the view that, indeed, no thoughtful person could prefer democracy, because democracy cannot be the home of moderation or liberty. Therefore, devices to secure moderation or liberty must, by definition, be nondemocratic. This is why we must, in conclusion, ask the question, why be democratic, and try to give the founders' answer to that question.

I have argued here, following Martin Diamond, that the Declaration of Independence is not a democratic manifesto betrayed by a conservative or reactionary Constitution. The Declaration is the nonpareil expression of the legitimate end of modern government, liberty. The Constitution is the realization of that liberty by means of the democratic form of government. The framers completed the work of the Revolution by establishing a wholly democratic--decent even though democratic--government. The stability and decency of this Constitution rest on a theory of human nature in which the role of

self-interest is primary, and on economic behavior generated by that self-interest. The primary protection for liberty, in all its aspects, lies in this behavior and in the constitutional institutions themselves, not in the first ten amendments, known as the Bill of Rights.

Madison's profound understanding of this and its explication belongs to another place, but the absence of a Bill of Rights may not be used as evidence that the Constitution is undemocratic by intention.³⁰

The indispensable question, then, is how democratic is the Constitution. "It is the ground on which all else rests because the question of democracy speaks to the fundamental nature of a regime. . . . The answer to the question profoundly influences both practical politics and the way politics is studied."³¹ The form of government is conducive to certain forms of political and social behavior, as well as economic behavior, and suppresses other forms of behavior. It may be said that a certain kind of citizen is produced, even in modern liberal democracies, by the form of the constitution.³² The centrality of the question is attested to by the disputed nature of the answer and the persistence of the dispute. In view of its dangerous propensities, constituting democracy was the most difficult task of founding, and democratic citizenship is the most demanding kind of citizenship. As with marriage, one has

constantly to work at democracy.

If democracy is so demanding and was avoided by men for centuries because it always culminated in disaster, why did the founders prefer it? Why be democratic? The founders' reasons were not egalitarian in the "levelling" sense; that is, they were not the reasons why democracy is usually preferred today. Thomas Jefferson desired democracy because he believed it would do away with artificial distinctions and barriers to real merit; instead it would allow true merit and distinction to be realized and to have its play in the society. Today, of course, the spirit of our institutions has become antithetical to natural merit and those who believe in real differences in human capacity, and that a society that suppresses them cannot survive indefinitely, are considered elitist and even dangerously reactionary. Nevertheless, the elevation of natural merit was a reason why thoughtful men could and did desire democratic institutions.

The claim to rule as of right, based on birth, property, wisdom, or experience became increasingly illegitimate. This was in good part a result of the acceptance of Locke's theories on the pre-civil condition of man, on natural rights, and on the limits of government. He taught that political communities come into being by

consent, that men are perfectly equal in the state of nature, and that in turn for protection against the inconveniences of that natural state men agree to submit to a civil authority which recognizes their individual rights. All men, high and low, equally desire comfortable self-preservation.

The case was made for radically limiting the scope of government by Locke and others. The traditional ends of government--molding citizens morally or intellectually --were abandoned as utopian by liberal theorists, in favor of leaving such matters to private decisions. This profound reduction in government's legitimate objects made self-government possible. Citizen legislatures that had to pay the taxes they levied and fight the wars they declared were safest to the largest number of men, and did not represent an interest (like the monarch) adverse to or independent of the body of society. They were the body of society. And their task was now within the capacity of any public-spirited citizen. Governing no longer required the wisdom and experience it had in the past. Government thus limited and legislatures thus subject to their own laws were believed safer to liberty than other kinds of arrangements.

In America society was already democratic, democratic in that the possession of wealth was fluid, not fixed, and

multidirectional, wide-ranging social mobility was the rule, not the exception. The framers themselves were examples of these realities and understood their meaning.

George Mason observed at the federal convention:

we had been too democratic but [he] was afraid we sd. incautiously run into the opposite extreme. We ought to attend to the rights of every class of people. He had often wondered at the indifference of the superior classes of society to this dictate of humanity and policy, considering that however affluent their circumstances, or elevated their situations, might be, the course of a few years, not only might but certainly would, distribute their posterity throughout the lowest classes of Society. Every selfish motive therefore, every family attachment, ought to recommend such a system of policy as would provide no less carefully for the rights--and happiness of the lowest than of the highest orders of Citizens. [May 31]

We may then say that along with other reasons, self-interest dictated the framers' preference for democracy. It was the only form of government that gave equal political rights to the lowest as well as to the highest order of citizens, and thus made it possible for citizens to rise as high as their talents could take them. Hamilton, after all, was an illegitimate son whose success, based on extraordinary talents, was made possible by a democratic setting. Adams did not begin life as one of the highest orders of citizens. The founding generation appreciated fully the opportunities opened by democracy for men of

capacity, and did not intend to foreclose them either for themselves or for their posterity, by a constitution that restricted political power to property or birth. There are, of course, no such restrictions in the Constitution.

The final reasons for preferring democracy relate to the individual citizen. In a democracy, greater numbers of ordinary people achieve a higher level of material and psychic well-being and their claim to have the ultimate power over how they are governed cannot be denied. Democracy provides opportunities for vast numbers of citizens to participate in the political process at all levels of government; citizens come to assume responsibility for themselves and for others, in a way permitted by no other form of government.

The founders intended to create, and did create, a wholly democratic Constitution. Prudently mindful of the pitfalls of democracy, they introduced a number of institutional devices to protect liberty from an immoderate majority will, while permitting moderate majority will to prevail. Civil and religious liberty are further protected by a large, diverse, commercial society, in which dangerous majorities are fragmented by the informal workings of the social and economic systems. This unusually thoughtful generation preferred democracy because it removed barriers

to natural merit, because it improved the lives of the largest numbers of ordinary folk, because it allowed men to choose how they would be governed and to take responsibility for that choice, and because they believed that under a democratic constitution the country would prosper and a new age in the relations of nations would begin.³³

Constituting democracy involved a remarkable act of faith as well as of skill. The cheerful consequence of an otherwise cheerless view of human nature was the belief that men could govern themselves decently in an arrangement where liberty and stability could coexist. It was a leap into the unknown, an act of political courage that we cannot even imagine. No government based on the principle of self-government in a large, diverse country had ever been known. The framers stepped into the abyss, coolly confident that it would work the way they expected; they thereby rescued democratic government from the opprobrium under which it had so long labored and recommended it to the esteem and adoption of mankind. At bottom the Constitution rested on a conviction that the people have enough democratic virtue--public-spiritedness and concern for the common good--to be trusted with their own affairs. In the words of James Madison:

But I go on this great republican principle, that the people will have virtue and intelligence to select men of virtue and wisdom. Is there no virtue among us? If there be not, we are in a wretched situation. No theoretical checks, no form of government, can render us secure. To suppose any form of government will secure liberty or happiness without any virtue in the people, is a chimerical idea. If there be sufficient virtue and intelligence in the community, it will be exercised in the selection of these men; so that we do not depend on their virtue, or put confidence in our rulers, but in the people who are to choose them. 34

I conclude with a personal note: All of this analysis, interpretation, and argument rests on the work of Martin Diamond, so much so that of many parts I am not sure what is his and what is mine. Yet I cannot hold him responsible for all of the implications of the essay. In particular, I would not want to have to prove that he would fully agree with my own enthusiastic and unclouded endorsement of American democracy as embodied--more than anywhere else--in the political philosophy and statesmanship of James Madison.

¹Irving Kristol, Two Cheers for Democracy (New York: Basic Books, 1978), p. 159. Kristol explains that the crucial difference between ancient and modern utopianism is that the latter regards utopias as ideals to be actually realized--in this case, to transform man's nature. See also Martin Diamond, "The Utopian Grounds for Pessimism and the Reasonable Grounds for Optimism," in Causes for Optimism (Rockford College, Rockford, Illinois, 1973), p. 46.

²Tocqueville observed that Americans were unique in being "born equal." In Chapter II of Volume I of Democracy in America (Phillips Bradley, ed., New York: Alfred A. Knopf, Inc., 1945), he explains, "land is the basis of an aristocracy...for it is not by privileges alone, nor by birth, but by landed property handed down from generation to generation, that an aristocracy is constituted." He rightly emphasizes that laws of inheritance in America have operated to destroy this possibility.

³See, for example: "Democracy and The Federalist: A Reconsideration of the Framers' Intent," American Political Science Review, 1959; "Conservatives, Liberals and the Constitution," in Left, Right and Center, ed. Robert A. Goldwin (Chicago: Rand McNally, 1967); "The Revolution of Sober Expectations," in America's Continuing Revolution (American Enterprise Institute, 1975); and "The Declaration and the

Constitution: Liberty, Democracy, and the Founders,"
The Public Interest, Fall, 1975.

⁴Samuel Johnson's eighteenth-century dictionary defines democracy as "One of three forms of government; that in which the sovereign power is lodged in the body of the people." The eleventh edition of the Encyclopedia Britannica says, "that form of government in which the people rules itself, either directly or indirectly, as in small city-states in Greece, or through representatives."

⁵Martin Diamond, "The Federalist," in Leo Strauss and Joseph Cropsey, eds., History of Political Philosophy (Chicago: Rand McNally, 1963), p. 579.

⁶In contrast, Johnson defines a republic as a "commonwealth; state in which the power is lodged in more than one."

⁷Alexander Hamilton, James Madison and John Jay, The Federalist (Clinton Rossiter, ed., New York: New American Library Mentor Books, 1961). Madison reminds his readers that the Constitution guarantees to each state a republican form of government. This has always been understood to mean a democratic form of government.

⁸Martin Diamond, "The Federalist," op. cit., p. 580.

⁹Ibid.

¹⁰See, for example, "Vices of the Political System of the United States," Robert Rutland, ed., The Papers of James Madison, IX, (Charlottesville: University of Virginia Press, 197), p. 355; "James Madison's Autobiography," Douglass Adair, ed., The William and Mary Quarterly, 3rd ser., II (April 1945), p. 208; and the quotations that open this essay.

¹¹Martin Diamond, Winston M. Fisk, and Herbert Garfinkel, The Democratic Republic (Chicago: Rand McNally, 1970), 2nd ed., p. 5.

¹²This discussion of the meaning of the Declaration of Independence is taken from Martin Diamond, "The Declaration and the Constitution: Liberty, Democracy and the Founders," Nathan Glazer and Irving Kristol, eds., The American Commonwealth, 1976 (New York: Basic Books, 1975), pp. 48ff.

¹³Ibid., p. 49.

¹⁴Ibid.

¹⁵Ibid.

¹⁶February 8, 1825 in Gaillard Hunt, ed., The Writings of James Madison, IX (New York: G.P. Putnam's Sons, 1900), pp. 218-219.

¹⁷Martin Diamond, "The Declaration and the Constitution," op. cit., p. 50.

¹⁸Martin Diamond, "The Revolution of Sober Expectations," op. cit., pp. 14-15.

¹⁹Martin Diamond, "The Declaration and the Constitution," op. cit., p. 51.

²⁰Max Farrand, ed., Records of the Federal Convention, I (New Haven: Yale University Press, 1911), pp. 48-51. [May 31].

²¹"Reflections on the Revolution in France," in Writings and Speeches of Edmund Burke (Boston: Little, Brown & Co., 1901), III, pp. 397-98.

²²"The American Idea of Equality: The View from the Founding," The Review of Politics, (July 1976), pp. 321-2.

²³Diamond et al, The Democratic Republic, op. cit. p. 91.

²⁴Letter to Jefferson, October 24, 1787, in Hunt, V, op. cit., p. 31. This extraordinary letter is Madison's account to Jefferson of the work of the convention and the principles of the proposed political system.

²⁵Madison sheds interesting light on this in 1792, when he is speaking of parties and a difference of interests, and how to combat the excesses of the same.

One means was, "by the silent operation of laws, which, without violating the rights of property, reduce extreme wealth towards a state of mediocrity, and raise extreme indigence towards a state of comfort." He characterizes this point (and the others he makes) as the language of republicanism. Hunt, VI, op. cit., p. 86.

²⁶See for a detailed presentation of these views, Martin Diamond, "The Separation of Powers and the Mixed Regime," and Ann Stuart Diamond, "The Zenith of Separation of Powers Theory: The Federal Convention of 1787," in Publius (Summer 1978).

²⁷Bernard Bailyn, The Ideological Origins of the American Revolution (Cambridge, Mass.: The Belknap Press of Harvard University Press, 1967), pp. 282, 283, Fn. 50.

²⁸"The Separation of Powers and the Mixed Regime," op. cit., pp. 39ff.

²⁹Ibid., see especially pp. 40-41.

³⁰Obviously, more needs to be said on this point. This observation refers to years of work on this problem and on Madison's central role. I can make two points briefly: First, Madison would have agreed with Hamilton's explanation of the absence of a Bill of Rights in

Federalist 84; secondly, the history, at least of the First Amendment, proves that they were both right.

³¹Diamond et al, The Democratic Republic, op. cit., p.84.

³²Martin Diamond, "Ethics and Politics: The American Way," in Moral Foundations of the American Republic, ed., Robert Horwitz (Charlottesville: University of Virginia Press, 1977).

³³Some framers even believed that the quality of foreign affairs would be improved and that democratic countries would engage in fewer wars. See James Madison's "The Letters of Helvidius," in Hunt, VI, pp. 138-188. See also Felix Gilbert, The Beginnings of American Foreign Policy (New York: Harper and Row, 1965), especially Chapter III.

³⁴June 20, 1788. Elliot's Debates on the Adoption of the Federal Constitution.



American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036

(202) 862-5800

September 5, 1979

OUTSIDE SOURCE

The Honorable William H. Webster
Director
Federal Bureau of Investigation
J. Edgar Hoover Building
Tenth & Pennsylvania Avenue, N.W.
Washington, D.C. 20535

Dear Judge Webster:

At the suggestion of Judge J. Clifford Wallace, the American Enterprise Institute is pleased to invite you to participate in a very special seminar on the question, "How Democratic Is the Constitution?" to be held at Airlie House, near Washington, November 1-4, 1979. This will be the first in a series of annual seminars conducted by AEI's project to study the Constitution, looking ahead to the bicentennial in 1987.

Invitations for this conference are still going out and so it is too early to give a full list of those who will participate, but among the early acceptances, in addition to Judge Wallace, are David Broder, syndicated columnist and political reporter for The Washington Post and recipient of the 1973 Pulitzer Prize in journalism; Gordon S. Wood, Professor of History, Brown University, author of The Creation of the American Republic and recipient of the 1970 Bancroft Prize; Robert Bork, the Alexander M. Bickel Professor of Public Law, Yale Law School, and former Solicitor General; Edwin Yoder, Editorial Page Editor of The Washington Star and recipient of the 1979 Pulitzer Prize for editorial writing; Donald Rumsfeld, President and Chief Executive Officer of G. D. Searle & Co. and former Secretary of Defense; William Raspberry, columnist for The Washington Post, television news commentator, and instructor in journalism at Howard University; Walter Berns, AEI Resident Scholar, former professor of political science at Yale, Cornell, and Toronto, and author of The First Amendment and the Future of American Democracy; Congressman M. Caldwell Butler (Republican, Virginia), member of the House Judiciary Committee; and Roger Starr, member of the Editorial Board of the New York Times, former New York City housing commissioner, and former professor at New York University, Pratt Institute, City College of New York, and the New School for Social Research. The rest of the group will be similarly eminent and diverse in their views, drawn from public life, private enterprise, journalism and academia.

These AEI Seminars are distinctive in four respects: participation is by invitation only, the group is very small (limited to 24 persons), all participants are capable of discussion at a

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very high level, and the discussions are private (there is no audience). The purpose of gathering such a small, select group is to enable the participants to learn from one another; the assumption is that, since every one of them is a leader with some sort of public of his own, whatever is learned will be spread, broadly and effectively.

Four papers (including one by Gordon Wood and another by Walter Berns) will be written especially for this conference by authors of different persuasions and disciplines. The authors, and a few other scholars from leading universities, will take part in the discussions throughout the two-and-a-half days of the conference.

The question--how democratic is the Constitution?--is sweeping in its scope, and we hope to make the most of it. We cannot know in advance (the authors themselves are not sure at this moment) exactly how their respective papers will deal with the question. All have agreed, however, that they will be historical or theoretical only as it serves to answer the question as put: present and practical. They will consider factors at the time of the founding, the interests at work and the arguments put forth, as essential to understanding the fundamental nature of the American constitution. But if successful, we will move beyond the original intentions and the parchment itself to a search for what is distinctive in the American political experience and what, if anything, the Constitution has to do with it.

The conference will begin at dinnertime on Thursday evening, November 1, and will conclude before noon on Sunday, November 4. AEI will furnish transportation to Airlie House from Washington and back for those who desire it. All participants will be the guests of AEI while at the conference.

I know that you will find this conference unusually interesting and that your participation will add to its usefulness for the others in the group. I earnestly hope that you will find it possible to accept this invitation and to inform us promptly of your decision.

Sincerely,



Robert A. Goldwin
Director, Constitutional
Studies

RAG

~~OUTSIDE SOURCE~~

September 25, 1979

R

Mr. Robert A. Goldwin
Director
Constitutional Studies
~~American Enterprise Institute~~
~~for Public Policy Research~~
1150 Seventeenth Street, Northwest
Washington, D.C. 20036

Dear Mr. Goldwin:

Thank you for your invitation of September 5 to participate in a seminar sponsored by the American Enterprise Institute on November 1-4, 1979. I would like to be with you on those dates, but a prior commitment will not permit me to do so.

Please accept my best wishes for a successful seminar.

Sincerely yours,

William H. Webster

William H. Webster
Director

MAILED 14

SEP 25 1979

FBI

1 - [redacted] - Enc.
1 - Telephone Room - Enc.
1 - Mr. Schiappa - Enc.

1 - [redacted] - Enc.
1 - Speech Desk - Enc.

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NOTE: Invitation declined per Director. The Director is scheduled to be in Jefferson City, Missouri, on 11-3-79.

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American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036

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November 27, 1979

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The four essays enclosed were the readings for AEI's rec conference on "How Democratic Is the Constitution?" The participants (listed in the front of the binder) were drawn from many walks of life as we sought to bring together persons of differing backgrounds, experience, and views. The authors, similarly, were chosen for the variety of evidence, analysis, and argument they would bring to bear on the question.

DEC 1 1979
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AEI will commission several more essays on the same question and the more comprehensive set of essays will be published as the first in a series of annual volumes on the Constitution. These volumes are one part of AEI's project, "A Decade of Study of the Constitution," designed to help prepare the nation for a fitting observance of the bicentennial of the ratification of the Constitution in 1988. (A brochure of the project is attached.)

[redacted]

If you have comments on these essays, or suggestions, we would be very glad to hear from you.

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DEC 21 1979

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Jim Jones

"ENCLOSURE IN BULKY ROOM"

RA Goldwin

Robert A. Goldwin

Director, Constitutional Studies

54 JAN 17 1980



AMERICAN ENTERPRISE INSTITUTE

FOR PUBLIC POLICY RESEARCH

1150-SEVENTEENTH STREET, N.W.

WASHINGTON, D.C. 20036

The Honorable William H. Webster
Director
Federal Bureau of Investigation
J. Edgar Hoover Building
Tenth & Pennsylvania Avenue, N.W.
Washington, D.C. 20535

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17 DIRECTOR

17 DEC 3 '79

December 12, 1979

Dr. Robert A. Goldwin
Director
Constitutional Studies
American Enterprise Institute
for Public Policy Research
1150 17th Street, N.W.
Washington, D. C. 20036

Dear Dr. Goldwin:

I certainly appreciate your furnishing me the brochure of your project and the essays presented at your conference on the study of the Constitution. I am sure much research and study went into the preparation of these writings, and I look forward to reading them as time permits. Once again, let me thank you for your thoughtfulness.

Sincerely yours,

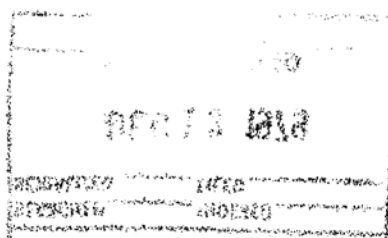
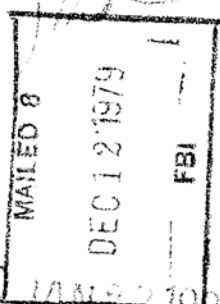
William H. Webster

William H. Webster
Director

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NOTE: By letter 9/25/79, to Dr. Goldwin, Judge Webster declined his invitation to participate in this conference which was held November 1-4, 1979. Dr. per Bufiles.
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TO: DIRECTOR, FBI
 FROM: SAC, WASHINGTON FIELD OFFICE

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AMERICAN ENTERPRISE INSTITUTE

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Re P H airtel and LHM, dated 6/14/85, and captioned [REDACTED]

OO:PHILADELPHIA. (U)

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For the information of the Philadelphia Division, a check of WFO indices on 7/9/85, disclosed no information identifiable with [REDACTED] and specifically disclosed no information pertaining to any such individual at either the BROOKINGS INSTITUTE, WDC, or the AMERICAN ENTERPRISE INSTITUTE, WDC.

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Telephonic contact with the BROOKINGS INSTITUTE (supra) and the AMERICAN ENTERPRISE INSTITUTE (supra) on 7/9/85, and under suitable pretext, disclosed that no one named [REDACTED] is currently employed or associated with either institution.

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 4-Baltimore
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Per Philadelphia's expressed request that individuals mentioned in referenced LHM should only be further identified, and that no interviews of these individuals be conducted at this time, WFO contacted the aforementioned institutes with particular discretion. This type of initial contact would not alert institute officials or (FNU) [redacted] specifically, to the FBI's interest in him. However, as WFO indices is negative regarding [redacted] and no such individual is known to be associated or employed with either institution, WFO believes all logical investigative measures have been exhausted under the circumstances at this time. Based upon information furnished in referenced LHM, and WFO investigation to date, WFO suggests the possibility that [redacted] may be mistaken with regard to name (FNU) [redacted]. In the event the Philadelphia Office obtains additional information identifying [redacted] contacts at either the BROOKINGS INSTITUTE or the AMERICAN ENTERPRISE INSTITUTE, WFO will conduct all necessary investigation upon receipt of this information and pertinent requests from Philadelphia.

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In view of the above, and in the absence of any additional outstanding leads, WFO is placing captioned cases in a Closed status.

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Memorandum to Mr. DeLoach

Re: Debate Between Former Justice Charles E. Whittaker
And Reverend William Sloane Coffin, Jr.

demonstrations have led to violence and crime, principally because civil rights leaders have encouraged and even condoned violation of the law. He took Coffin to task for holding that man can and should break bad laws, because an orderly society cannot exist if individuals decide for themselves which laws are good and which are bad. According to Whittaker, a large number of Americans are fed up with riots and, as a consequence, riots have done immeasurable harm to the cause of civil rights.

Coffin, who is a civil rights activist, admitted that it is unfortunate that violence too often flows from civil rights demonstrations, but he said that this merely highlights the dilemma arising from the needs of the Negro people and the necessity for law and order. The overwhelmingly revolting conditions in the Negro ghettos which produce frustration and hopelessness, he maintained, are the cause of civil disobedience and no blind insistence on the preservation of law and order will alleviate this situation now or in the future. Violence, on the other hand, Coffin said, frequently dramatizes the Negroes' plight and hastens improvement. He reiterated his belief that bad laws should be circumvented in order to rectify injustices and poverty.

Whittaker is on the Special Correspondents' List and we have extremely cordial relations with him.

Coffin, an ordained Presbyterian minister, was the subject of an FBI investigation in 1959 in connection with his application for employment with the Central Intelligence Agency. We also conducted another inquiry of him in 1961 in conjunction with his appointment as a member of the National Advisory Council for the Peace Corps.

Bufiles contain no subversive references on Coffin and he has been characterized as strongly anticommunist. He has also been described as a rabid integrationist who has been arrested as a result of his participation in demonstrations in the South. He is an outspoken critic of United States involvement in Vietnam.

CONTINUED - OVER

Re: Debate Between Former Justice Charles E. Whittaker
And Reverend William Sloane Coffin, Jr.

RECOMMENDATION:

formation.

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. C. D. DeLoach

1 - Mr. C. D. DeLoach
1 - Mr. Wick

DATE: March 2, 1967

FROM : Mr. W. C. Sullivan

1 - Mr. Sullivan
1 - Mr. R. W. Smith
1 - Mr. Garner

SUBJECT: DEBATE BETWEEN FORMER JUSTICE CHARLES E. WHITTAKER
AND REVEREND WILLIAM SLOANE COFFIN, JR.
ON LAW, ORDER, AND CIVIL DISOBEDIENCE
SPONSORED BY AMERICAN ENTERPRISE INSTITUTE
WASHINGTON, D. C., FEBRUARY 28, 1967

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A debate between former Supreme Court Justice Charles E. Whittaker and Yale University Chaplain William Sloane Coffin, Jr., on the topic "Law, Order, and Civil Disobedience," held at George Washington University, was concluded on February 28, 1967. Whittaker had spoken on February 14 and Coffin on February 21, and their appearance on February 28 was a rebuttal and summation of their views.

The debate was sponsored by the American Enterprise Institute, a nonprofit, nonpartisan research and educational organization. Mr. William J. Baroody, President of the Institute and a very good friend of the FBI, invited me to attend the debate, but because of other commitments, I designated Supervisor Russell S. Garner to attend in my place.

Whittaker, who retired from the bench in 1962, reaffirmed his position that most of the worthwhile civil rights gains attained thus far have been accomplished through legal and peaceful means, and that civil disobedience induced by riots has actually retarded the advance of civil rights. Coffin, on the other hand, reiterated his position that legislation is too slow and insufficient to redress the wrongs suffered by Negroes and must, of necessity, be implemented by some civil disobedience.

It was Whittaker's contention that law and order are the bedrock of our system of government and that, while democratic processes move slowly, they are effective in the long run. He said that the excesses of civil rights

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August 14, 1963

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94-5-52686
Mr. Evron M. Kirkpatrick
Chairman
Government and Science Project
The American Enterprise Institute
1012 14th Street, Northwest
Washington, D. C. 20005

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-27-88 BY SP5CJ/PT

REC'D-READING ROOM
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Dear Mr. Kirkpatrick:

Your letter of August 7, 1963, with enclosures, has been received.

The FBI is not conducting research of the type you mentioned; consequently, we are unable to be of assistance.

Sincerely yours,

J. Edgar Hoover

John Edgar Hoover
Director

NOTE: Mr. Kirkpatrick, by form letter, requests information on social science research which is financed by Federal funds. He enclosed a number of questionnaires to be filled out in this regard. Kirkpatrick was the subject of a Loyalty of Government Employees investigation which was opened in May, 1948, and again in September, 1950. The investigations disclosed that Kirkpatrick has long been associated with anticommunist efforts. In June, 1945, he was appointed to the position of Assistant Research Director with the Office of Strategic Services. In October, 1947, he entered the Department of State in the Office of Intelligence Research, and in May, 1954, was appointed Deputy Director of that office. He has written several books on government, and since 1954 he has been associated with the American Political Science Association as an executive director. Bufiles contain nothing unfavorable on the American Behavioral Scientist to which we furnished a similar type reply in February, 1963, to a separate social research project request. Bufiles are negative on American Enterprise Institute. In view of form letter, above reply felt appropriate.

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **Washington, D.C.**

FILE NO. **62-5212**

REPORT MADE AT Washington, D.C.	DATE WHEN MADE 5/7/46	PERIOD FOR WHICH MADE 5/2,3/46	REPORT MADE BY FRED H. HALL FHH:MB
TITLE AMERICAN ENTERPRISE ASSOCIATION			CHARACTER OF CASE MISCELLANEOUS INFORMATION CONCERNING
SYNOPSIS ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE			CC TO: O.S.D. REQ. REC'D 16-36-61 NOV 2 1961 ANS. BY: AKH-LW
Classified by SAS 09740T Declassify on: OADR # 2811758 AGENCY REQ. REC'D 1-2-54 REF. FORM 2-5-54 BY 1-2-54 American Enterprise Association was incorporated in Washington, D.C. on January 12, 1943, apparently by professional incorporators, for purpose of bringing about a greater public knowledge and understanding of the social and economic advantages accruing to the American citizen. It has a local office at 710 8th Street, N.W., Washington, D.C. under supervision of J. FREDERICK RICHARDSON but its headquarters are in New York City. List of officers and trustees set forth. Director of subject organization in Wash., D.C. formerly resided in home of JAMES TRUE. - P -			
DETAILS: <u>AT WASHINGTON, D.C.</u>			
The investigation of this matter was predicated upon a telephone call from Mr. J. J. McGUIRE of the Bureau on April 30, 1946, at which time Mr. McGUIRE advised that the Bureau desired information as to the identity of the American Enterprise Association. Mr. McGUIRE stated that the Bureau records reflected information from a highly confidential source of information whose identity could not be revealed, to the effect that one Dr. ELLINGER was working for a Republican organization, the American Enterprise Association, at Executive 8563. The Bureau records also contained a reference to the American Enterprise Association in connection with an article on			
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compulsory military training by one BOYD BULLOCK, Bridgeport, Connecticut.

The current local telephone directory shows the American Enterprise Association as being located at 710 8th Street, N.W., Washington, D.C. with telephone Executive 8205. The last city directory contains no information concerning the American Enterprise Association.

The indices of this office reflect that telephone Executive 8563 was listed at one time to J. FREDERICK RICHARDSON, Southern Building, Washington, D.C. This information was obtained during the investigation of the case entitled "Dr. TAGE U. H. ELLINGER, Espionage," by the Washington Field Office. The file on this investigation is not presently available.

The current telephone directory shows the office telephone of J. FREDERICK RICHARDSON as Executive 8205, located at 710 8th Street, N.W. (which is identical with the telephone number of the American Enterprise Association) and his home telephone as Glebe 4291 located at 418 North Jackson, Arlington, Virginia.

The report of Special Agent M. C. CLEMENTS at Washington, D.C. dated September 16, 1941 and entitled "JOHN JAMES MEILY, Internal Security X" reflects that [REDACTED]

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[REDACTED] was the original informant in that case.

From a highly confidential source of information, whose identity cannot be revealed, it was ascertained that on June 19, 1945, a Dr. ELLINGER communicated with DOROTHY STRANGE, of the Local Communist Party, to complain that his Daily Worker was not being received by him regularly. On this occasion DOROTHY STRANGE made excuses to this Dr. ELLINGER about his Daily Worker and then Dr. ELLINGER and DOROTHY STRANGE went on to discuss the apparently pending reorganization of the Communist Party in the United States. In this discussion DOROTHY STRANGE said that some members followed the Marxist policy while some others followed the Teheran ideas. ELLINGER commented that he supposed the great majority were opposed to EARL BROWDER but DOROTHY STRANGE indicated that letters received by the Daily Worker were rather evenly divided. (U)

The current local telephone directory lists Dr. T. U. H. ELLINGER at 2800 Woodley Road, N.W., Washington, D.C. with telephone North 8285.

The records of Stones Mercantile Agency, 1419 H Street, N.W., in a report dated November 27, 1931, reflected that JOHN FREDERICK RICHARDSON,

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~~CONFIDENTIAL~~

Apartment 616, 1841 Columbia Road, N.W., Washington, D.C. was about 48 years old and married. It was stated that about 1920 he was employed by Congressman WOODRUM of Virginia and from 1921 to 1925, by the U. S. Shipping Board as a special investigator. RICHARDSON was said to be a writer of note, a business analyst and to have a large income from writing. He resided for about eight years at the Senate Hotel, 101 D St., N.E. and from February 1929 to December 1930, he resided in the home of JAMES TRUE, 3031 O Street, N.W., Washington, D.C.

The above mentioned JAMES TRUE is the subject of Bureau file #61-7307 entitled "U. S. vs JOSEPH E. McWILLIAMS, et al, Sedition." It is accordingly believed that JAMES TRUE is well known to the Bureau.

The records of Stones Mercantile Agency also contained a newspaper clipping dated January 12, 1943, showing the incorporation of the American Enterprise Association; term, perpetual; object, to aid in bringing about a greater public knowledge and understanding of the social and economic advantages accruing to the American people. There was no capital stock and the organization was not to be conducted for profit. The place of business was indicated as Room 558, Munsey Building, Washington, D.C. The trustees were indicated as MILTON E. HARTLEY, EDWARD S. CONGER and D. S. CONGER.

Another newspaper clipping here dated March 15, 1944, reported that the American Enterprise Association was moving to 1409 L Street, N.W., Washington, D.C. with Mr. FREDERICK RICHARDSON in charge.

The records of the Credit Bureau, 1221 G Street, N.W. in a report dated August 19, 1942, reflected that J. FREDERICK RICHARDSON and wife, EVELYN, resided at 21 Beachwood Lane, Falls Church, Virginia. He was described as about 45 years old, white race and engaged for about 12 years as a freelance writer. He formerly resided at 3000 39th Street, N.W., Washington, D.C., at 3100 Connecticut Avenue, N.W., Apartment 232, Washington, D.C. and on 5th Street, Leeway, Virginia.

The records of the Credit Bureau, in a report dated May 13, 1936, reflected that MILTON E. HARTLEY and wife GLADYS G. HARTLEY resided at Falls Church, Virginia. He was said to be employed as the Washington Vice President of the Corporation Trust Company, Munsey Building, Washington, D.C. where he had worked for 15 years. He was described as about 37 years old, white race and residing for 10 years in Falls Church, Virginia, where he owned his home. He formerly resided at 4010 7th Street, N.W., Washington, D.C., and is reported to have a good income. The

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main office of his company was said to be at 120 Broadway, New York City. The local city directory reflected that EDWARD S. CONGER and DOLORES S. CONGER both resided at 7317 Alaska Avenue, N.W., Washington, D.C. and both are employed by the Corporation Trust Company, Washington, D.C.

Concerning EDWARD S. CONGER, the records of Stones Mercantile Agency reflect that on January 31, 1941, EDWARD S. CONGER, MILTON E. HARTLEY and ERNEST O. PALAND as trustees, incorporated the U. S. Friends of Greece for the purpose of aiding the people of Greece in all ways possible. Then on March 5, 1941, EDWARD S. CONGER, ERNEST PALAND and HARRY R. BURNS as trustees incorporated the Committee for Constitutional Government Incorporated, for the purpose of upholding the constitutional Government and system of free enterprise. The business address of both groups was given as the Munsey Building, Washington, D.C.

Information concerning MILTON E. HARTLEY, ERNEST O. PALAND and D. S. CONGER can be found in the report of Special Agent JAMES E. McMAHON dated May 17, 1945 at Washington, D.C. (Bureau file 100-340089), entitled "Business Men of America, Incorporated, Internal Security - C." These three individuals were the incorporators of this organization. It will be noted in the above mentioned report that these three persons are stated to have incorporated literally thousands of organizations in Washington, D.C. in the past several years and apparently are professional incorporators.

The records of the corporation indices, D. C. Government, reflect that a certificate of incorporation for the American Enterprise Association was filed on January 12, 1943, and the business and object of the association stated as follows:

"To aid in bringing about a greater public knowledge and understanding of the social and economic advantages accruing to the American people through the maintenance of the system of free, competitive enterprise, by serving as a clearing house to receive, compile and analyze material supplied by trade associations, civic organizations, citizens groups and similar organizations, and other economic data and interpretations given public circulation regarding the functioning of American industry, including plans and programs relating to post-war relations of industry to our national economy, and preparing, publishing and distributing studies, analysis and reports to its members and

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~~CONFIDENTIAL~~

"by preparing, publishing and distributing, generally through institutions of learning, public discussions and study groups, public officials, corporate officers, the press and periodicals given to public circulation, and other means, such bulletins, pamphlets, booklets, charts and other information as may be germane to the purpose set forth herein; provided, however, that in these activities the association will function on a purely educational basis and will not engage in political or legislative activities of any nature whatsoever.

"In pursuant of and not in limitation of the general powers conferred by law, objects and purposes herein set forth, it is expressly provided that this association shall also have the following powers:

"To do all such actions as are necessary or convenient to attain the objects and purposes herein set forth, to the same extent and as fully as any natural person could or might do, and as are not forbidden by law or by this certification of incorporation or by the bylaws of this association.

"To have officers and promote and carry on its objects and purposes, within or without the District of Columbia, and in the states, territories or colonies of the United States and in foreign countries.

"To collect funds and dues from its members, to hold such funds and to distribute such of its funds as may not be required in the operation of the association, to any persons or organizations whose activities are directed toward the accomplishment of the objects of the association and whose operation in this respect are on a none profit basis.

"To have all the powers that may be conferred upon incorporated associations formed under Title 5, Chapter 5 of the Code of the District of Columbia.

"This association shall have no capital stock and shall not be conducted for profit.

"The property of the officers, trustees, and members of the association shall not be subject to or chargeable with the payment of the debts or obligations of this association.

"The board of trustees shall have power to make bylaws for the government of the association and to alter, change or amend the same"

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

The records here reflect the original three trustees as the same previously indicated.

The records of the corporate index further reflect that on April 16, 1943, MILTON E. HARTLEY, Munsey Building, Washington, D.C., was appointed resident agent in the District of Columbia for the American Enterprise Association. It was stated that process delicti to the American Enterprise Association might be served on Mr. HARTLEY. It was also noted here that as of April 16, 1943, the president of the American Enterprise Association was a Mr. LEWIS H. BROWN who apparently lived in New York City and that one PAUL H. PERRETEN was assistant secretary.

Another notation in the corporate index reflected that as of March 16, 1944, the assistant secretary of the American Enterprise Association was a Mr. C. B. HIBBARD, also apparently from New York City.

The necessary documents for the American Enterprise Association have been notarized before one ELSIE K. WEBB, Notary Public, New York County, N.Y. Co. Clk's. #64, Reg. #4 W113, Commission Expires March 30, 1944.

The records of Dun and Bradstreet, Washington Building, in a report dated February 15, 1946, reflected that the American Enterprise Association, 710 8th Street, N.W., Washington, D.C. is only a branch office and that its main office is at 4 East 41st Street, New York City. The local office was formerly at 1109 L Street, N.W., Washington, D.C. and the New York City headquarters were once at 475 5th Avenue, New York City. The membership of the association was said to comprise a number of business organizations and private individuals and the business was said to be a continuation of a group which was unincorporated, operating from 475 5th Avenue, New York City under the direction of one DONALD CONN.

The following officers of the American Enterprise Association were listed:

1. Chairman - LEWIS H. BROWN, who is president of Johns-Manville Corporation, New York City.
2. President - JOHN W. O'LEARY
3. Vice President - C. J. ABBOT, who is a former president of the American Live Stock Association, Hyannis, Nebraska

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

4. Vice President - ROBERT L. LUND of the Lambert Company, St. Louis, Missouri
5. Vice President - JOHN J. HOPKINS, who is a vice president of the Electric Boat Company of Washington, D.C.
6. Vice President - FRED A. POOR, who is president of Poor & Company, Chicago, Illinois
7. Treasurer - N. BAXTER JACKSON, who is vice president of the Chemical Bank and Trust Company, New York City.
8. Executive Director - C. B. HIBBERT.

The Board of Directors was said to contain the following individuals:

1. SYDNEY ANDERSON
2. HENRY P. BRISTOL
3. PAUL S. CLAPP
4. CARL P. DENNETT
5. THOMAS DREVER
6. ALFRED C. FULLER
7. W. HARNISCHFEGER
8. RICHARD HARTE
9. B. E. HUTCHINSON
10. OSWALD W. KNAUTH
11. EDWARD H. LITTLE
12. HUGHSON M. MCBAIN
13. WALTER McLUCAS
14. WHEELER McMILLEN

~~CONFIDENTIAL~~

15. H. S. MIDDENDORF
16. NICHOLAS H. NOYES
17. REDFIELD PROCTOR
18. LOUIS RUTHERNBERG
19. HENRY D. SHARPE
20. WILFRED SYKES
21. SINCLAIR WEEKS
22. GEORGE B. WELLS

~~CONFIDENTIAL~~

The files of the Washington Field Division contain no information concerning officers, trustees or other persons connected with the subject organization which has not been previously set forth in this report.

- PENDING -

~~CONFIDENTIAL~~

~~UNDEVELOPED LEADS~~

~~CONFIDENTIAL~~

NEW YORK FIELD DIVISION

At New York City

Will check the indices of that Field Office for any information concerning the officers, trustees, incorporators and other persons connected with subject organization who are listed in the body of the instant report.

Will conduct very discreet inquiry to determine the nature of the activities of the subject organization whose headquarters are at 4 East 41st Street, New York City.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

JJM:hbm

April 30, 1946

MEMORANDUM FOR MR. TOLSON

Re: AMERICAN ENTERPRISE ASSOCIATION
Washington, D. C.ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 6-26-89 BY SP5ci/bpt

The only information in the Bureau's files regarding the above-captioned organization appears in 62-29367-2, wherein it is pointed out that the American Enterprise Association published a plan for compulsory military training drawn up by Mr. Boyd W. Bullock. Bullock is advertising manager of the appliance and merchandising division, General Electric Company, Bridgeport, Connecticut. His plan was commented on editorially in the Pathfinder Magazine on January 8, 1945, and allegedly the plan was presented to various Congressmen by Graham Patterson, publisher of Pathfinder. In brief, the plan called for compulsory military training in high schools, extending the number of hours students now spend in school in order that military subjects might be taught.

According to file [] reference was made in a telephone conversation to the American Enterprise Association, and their phone number was given as Executive 8563. A Dr. Ellinger was purportedly working for a Republican organization named "American Enterprise Association."

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b7E

It may be desirable to have the Washington Field Office obtain additional information as to the background of this organization in view of the incomplete data presently in our files.

Respectfully,

L. B. Nichols

62-81021-2

EX-16

RECORDED

THIS MEMORANDUM IS FOR ADMINISTRATIVE PURPOSES

TO BE DESTROYED AFTER ACTION IS TAKEN AND NOT SENT TO FILES

56 JUN 5 - 1946

SAC Hottel has been requested by phone to get background data
JOS: [signature]
257

SAC, New York

July 10, 1946

Director, FBI

American Enterprise Association,
Miscellaneous Information Concerning

Reference is made to the report of Special Agent Fred H. Hall dated May 7, 1946 at Washington in the above captioned matter, setting forth leads for the New York office.

The Bureau desires that investigation in this matter be completed and a report submitted immediately.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-26-89 BY SP5C/LPT

JJE:CG:JEJ

cc Washington Field

RECORDED 62-81021-3
FBI
58 JUL 13 1946

EX-21

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

55 JUL 31 1946

~~CONFIDENTIAL~~

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT

WASHINGTON, D. C.

NY FILE NO.

62-88291-10

REPORT MADE AT NEW YORK	DATE WHEN MADE 8/8/46	PERIOD FOR WHICH MADE 7/15; 8/2, 5-7/46	REPORT MADE BY JOHN P. FAY
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TITLE AMERICAN ENTERPRISE ASSOCIATION ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE	CHARACTER OF CASE MISCELLANEOUS INFORMATION CONCERNING
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SYNOPSIS OF FACTS: *Confidential Informant [redacted] advised subject association incorporated under the membership laws of Washington, D. C. in January, 1943 and engages in the business of analyzing legislation of all types for educational and other purposes. Subject association has occupied Rooms 1109-11 at 4 East 41st Street since 12/1/43, with a staff of 6 girls and 1 man in charge. Prior thereto was located in the offices of <u>BRONSON BATCHELOR</u> and <u>EDWARD A. MOREE</u> , Rooms 909-910 in same premises. There are indications of strong present day ties between instant association and BATCHELOR. BATCHELOR and MOREE appear to be professional promoters of educational and political associations. Review of indices reflects name of BATCHELOR in connection with activities of <u>GERALD L. K. SMITH</u> , America First Committee. Information obtained from indices concerning <u>Dr. TAGE U. H. ELLINGER</u> , <u>DOROTHY STRANGE</u> , <u>JAMES TRUE</u> and others listed in connection with instant case set forth.	CC TO: <u>OSD</u> REQ. REC'D <u>10-30-61</u> NOV 2 1961 ANS. BY: <u>AKF</u> <u>Lu</u> Classified by <u>SP5</u> Declassify on: <u>OADR 4T</u> <u>6-27-89</u>
--	--

- R U C -

REFERENCE: Report of Special Agent FRED H. HALL, Washington, D. C. 5/7/46.

DETAILS: Confidential Informant [redacted] whose identity is known to the Bureau, advised subject association was incorporated

APPROVED AND FORWARDED: <u>58 Jones</u> SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES
COPIES OF THIS REPORT 3-Bureau 2-Washington Field 2-New York	RECORDED & INDEXED 100-81021-4 CONFIDENTIAL

~~CONFIDENTIAL~~

under the membership laws of Washington, D. C. in January, 1943, and is engaged in the business of analyzing legislation of all types for educational and other purposes, and is supported by membership dues.

A list of the officers and Board of Trustees is set forth as follows:

LEWIS H. BROWN

Chairman

JOHN W. O'LEARY

President

C. J. ABBOTT

Vice President

ROBERT L. LUND

Vice President

JOHN J. HOPKINS

Vice President

FRED A. POOR

Vice President

N. BAXTER JACKSON

Treasurer

C. B. HIBBERT

Executive Director

Board of Trustees

SYDNEY ANDERSON

HENRY P. BRISTOL

PAUL S. CLAPP

CARL P. DENNETT

THOMAS DREVER

ALFRED C. FULLER

W. HARNISCHFEGER

RICHARD HARTE

B. E. HUTCHINSON

OSWALD W. KNUTH

EDWARD H. LITTLE

HUGHSTON M. MCBAIN

WALTER McLUCAS

WHEELER McMILLEN

H. S. MITTENDORF

NICHOLAS H. NOYES

REDFIELD PROCTOR

LOUIS RUTHERBERG

HENRY D. SHARPE

WILFRED SYKES

SINCLAIR WEEKS

GEORGE B. WELLS

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NY 62-8829

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Confidential Informant [] further advised that LEWIS H. BROWN is President of the Johns-Manville Corporation of New York; C. J. ABBOTT is the former President of the American Live Stock Association, Hyannis, Nebraska; JOHN J. HOPKINS is Vice President of the Electric Boat Company of Washington, D. C.; FRED A. POOR is the President of Poor & Company, Chicago, Illinois; N. B. JACKSON is the Vice President of the Chemical Bank and Trust Company, New York City. This association maintains offices at 4 East 41st Street (same address as 475 Fifth Avenue). It also maintains an office at 1409 L Street, Northwest, Washington, D. C. as a service branch for convenience to Washington and Government agencies. It maintains bank accounts with the Chase National Bank, 60 East 42nd Street, and the Chemical Bank and Trust Company, Madison Avenue and 44th Street.

Mr. JAMES HUNTER, superintendent of 475 Fifth Avenue and 4 East 41st Street (same building), advised that the subject association has been located at these premises for approximately three years. Mr. HUNTER has observed that the organization maintains a staff of six women with one man in charge. Mr. HUNTER could not supply any of the names of the employees or the man in charge. He could not offer any particulars concerning the nature of the business carried on by this association, except to say that he believed they were engaged in some type of educational program. Mr. HUNTER referred the writer to his secretary, Miss A. G. KENNEDY for further details.

Miss KENNEDY after a perusal of her records advised the AMERICAN ENTERPRISE ASSOCIATION is a voluntary educational society, presently occupying Rooms 1109-11. The organization leased these rooms on December 1, 1943, at a yearly rental of \$4,000.00. On May 1, 1945 the rent was increased to \$4600.00 and continued until the expiration of the lease on April 30, 1946. Since the latter date the organization has maintained these rooms on a monthly tenancy basis at the same rental. Prior to its occupying rooms 1109-11, the organization maintained its office in a suite occupied by BRONSON BATCHELOR and EDWARD A. MOREE in Rooms 909-910. Both individuals still occupy these rooms. Miss KENNEDY advised that BATCHELOR and MOREE constantly visit the offices of the AMERICAN ENTERPRISE ASSOCIATION and the man in charge of instant association is often seen entering the office of BRONSON BATCHELOR.

Miss KENNEDY produced a list of names of organizations and individuals that were located in the rooms occupied by BRONSON BATCHELOR prior to and during the time subject organization was located in the offices of BRONSON BATCHELOR. The names of same are as follows:

The Transportation Association of America, Inc.

The Press Service Company

The Women Crusaders For Willkie, under the direction of E. T. COFFIN.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NY 62-8829

The Investment Bankers Association, under the direction of
EMMETT F. CONNELLY.

The American Enterprise Association, under the direction of
DONALD D. CONN.

Miss KENNEDY's list further reflects that the Six Star Service is presently located in the office of BRONSON BATCHELOR.

Miss KENNEDY did not offer any information concerning the nature and scope of instant association's activities.

A review of the indices of the New York Field Office reflects the following information concerning the below listed individuals:

DR. TAGE U. H. ELLINGER

TAGE U. H. ELLINGER of 2800 Woodley Road, Northwest, Washington, D. C. was listed as a subscriber to daily bulletins published by the Finnish Information Center prior to January 8, 1943 (report of Special Agent J. Raymond Ylitalo, 1/8/43, New York, in the case entitled, "Finnish Information Center").

Prior to March 1, 1943, Dr. ELLINGER was attempting to obtain employment with the Citizens Emergency Committee on non-defense expenditures. Dr. ELLINGER referred to this committee as the "Republican outfit". Dr. ELLINGER as an alternative was also attempting to obtain employment with Lease-Lend. His attempts to gain employment were made immediately prior to the expiration of his position with the Library of Congress on March 1, 1943 (report of Special Agent R. Fenton Garfield, 2/13/43, Washington, D. C. in the case entitled, "Tage Ulrich Holton Ellinger").

The name of TAGE ELLINGER is referenced on a Navy flash card briefly setting forth information concerning the alleged pro-Nazi attitude of one Captain CURT WENNBERG in connection with the making of ship models for the Navy by the COMET METAL PRODUCTS COMPANY, INC., Richmond Hill, Long Island. There was no indication that WENNBERG was engaged in subversive activities, but because he was connected with the Swedish Legation and collaborated with VICKY FRENCH and Finnish colleagues in Washington, D. C., the Navy recommended secret or confidential information not be entrusted to this company, although its work was highly regarded by the Bureau of Aeronautics. This recommendation was precautionary.

There is no indication that ELLINGER was connected with WENNBERG or the COMET METAL PRODUCTS COMPANY, INC., but in view of the fact that ELLINGER's name appears as a reference on the flash card, and a subsequent investigation may

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NY 62-8829

evidence a relationship between ELLINGER and WENBERG, this information is being set forth.

DOROTHY STRANGE, Negress (contact of ELLINGER's)

Shortly prior to October 1, 1941, this individual was a delegate to the Convention of the American Youth Congress, as a representative of the Women's Auxiliary, UTSE, and made a donation of \$3.00. At the time she was 26 years of age and resided at 1019 South Caroline Avenue.

On August 26, 1944, the "People's Voice" published a picture of this individual with a caption to the effect that she was named Press Director for the Communist Political Association of Washington, D. C. during the week prior to August 26, 1944. She is cited as a graduate of the Miner Teachers College and a member of the Washington Council of National Negro Congress.

(U) On November 16, 1944, the name of this individual was supplied to the New York Office by a Confidential Informant as being connected with the Washington, D. C. Daily Worker's office. (S)

JAMES TRUE (with whom J. FREDERICK RICHARDSON lived at 3031 O Street, Northwest, Washington, D. C.)

There are innumerable references on this individual. However, in view of his being the subject of Bureau file #61-7307, entitled, "U. S. vs. JOSEPH E. McWILLIAMS, ET AL; SEDITION", and accordingly believed well known to the Bureau, the information in the New York files will not be paraphrased.

MILTON E. HARTLEY, EDWARD S. CONGER and ERNEST O. PALAND (incorporators of AEA)

The New York indices reflect that all three of these men are employees of the CORPORATION TRUST COMPANY, Munsey Building, Washington, D. C., and are professional incorporators. These individuals incorporated the Business Men of America, Inc., later known as the New Council of American Business (report of Special Agent James E. Mahon, 5/17/45, Washington, D. C., in the case entitled, "Business Men of America, Inc.; Internal Security - C"; Bureau file #100-340089). There is no indication in the New York files that these individuals are connected with any organizations except in the capacity of professional incorporators.

N. BAXTER JACKSON (Treasurer)

Prior to January 10, 1941, the newspaper "PM" castigated N. BAXTER JACKSON, First Vice President of the Chemical Bank and Trust Company, together with JOSEPH A. BOWER, Executive Vice President, and HERMAN A. KOLLMAR, Assistant Manager of the Foreign Department, both of the Chemical Bank, for dining with Dr. KORTESS,

~~CONFIDENTIAL~~

NY 62-8829

~~CONFIDENTIAL~~

a German business man. "PM" described Dr. KORTESS as being a Nazi undercover agent by the Dies Committee. N. BAXTER JACKSON said his luncheon engagement with KORTESS was an accident.

BRONSON BATCHELOR

In a letter to the Bureau, dated March 24, 1939, entitled, "ACTIVITIES OF THE FASCISTI"; Bureau file #61-7560, BRONSON BATCHELOR, Executive Secretary of the NATIONAL ECONOMIC COUNCIL, 475 Fifth Avenue, New York City, is listed as one who is prepared to answer questions concerning the work, committee, and integrity of GERALD L. K. SMITH.

In a letter of February 13, 1942, entitled, "AMERICA FIRST COMMITTEE", BRONSON BATCHELOR is credited with creating the "Investigation Unit" of the AMERICA FIRST COMMITTEE in New York City, under the direction of Baron VON WRANGELL, a White Russian, influential among Russian emigres and French refugee groups, and said to be openly pro-German and pro-Nazi, and connected with the German Bund and German Government circles.

The files of the New York Field Office contain no information concerning officers, trustees or other persons connected with subject organization which has not been previously set forth in this report.

- REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN -

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

FEDERAL BUREAU OF INVESTIGATION

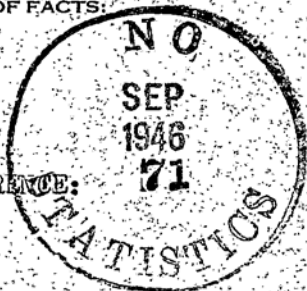
Form No. 1

THIS CASE ORIGINATED AT **WASHINGTON, D. C.**

FILE NO. **62-5212**

REPORT MADE AT WASHINGTON, D. C.	DATE WHEN MADE 8/14/46	PERIOD FOR WHICH MADE 8/13/46	REPORT MADE BY FRED H. HALL FHH:el
TITLE AMERICAN ENTERPRISE ASSOCIATION			CHARACTER OF CASE MISCELLANEOUS INFORMATION CONCERNING

SYNOPSIS OF FACTS:



Case closed.

**ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 1-27-89 BY SP5CJ/PT**

REFERENCE:

Report of Special Agent JOHN P. FAY
dated August 8, 1946, at New York City.

DETAILS:

At Washington, D. C.

Inasmuch as all investigation has been completed, this case is being closed.

AGENCY **100**
 REQ. REC'D **1-25-54**
 REP'T FORW. **2-5-54**
 BY **[Signature]**

CC TO: OSD
REQ. REC'D 11-30-61
NOV - 2 1961
ANS.
BY: [Signature]

- C L O S E D -

b7E

APPROVED AND FORWARDED SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES		
COPIES OF THIS REPORT 3 - Bureau 2 - Washington Field	62-81021	5	RECORDED

57 SEP 13 1946 COPY IN FILE

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: August 15, 1946

FROM : SAC, New York

SUBJECT: AMERICAN ENTERPRISE ASSOCIATION
MISCELLANEOUS—
INFORMATION CONCERNING

Reference is made to Bureau letters to the New York Field Division dated July 10, and August 13, 1946.

Please be advised that all information pertaining to the above captioned was transmitted to the Bureau in the closing report of Special Agent J. P. Fay, dated August 8, 1946, at New York.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-27-89 BY SP5CJ/LPT

DWW:NRL
62-8829

RECORDED

EX-65

58 SEP 11 1946

SAC, New York

August 13, 1946

Director, FBI

res
American Enterprise Association,
Miscellaneous Information Concerning

The Bureau has not received a reply to Bureau letter dated July 10, 1946, asking that investigation of the above captioned matter be completed. Advice is desired by return mail as to when a report will be submitted.

cc - Washington

JJM:JEJ

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-27-89 BY SP5C/LPT

Bo

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Mr. Nease	
Miss Gandy	

re

RECORDED
EX - 68

62-81021-7

V *ll* *from* *fun*

56 AUG 23 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. A. H. BELMONT

DATE: August 27, 1959

FROM : MR. F. A. FROHBOSE

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-27-89 BY SP5CJ/ATSUBJECT: W. GLENN CAMPBELL
RESEARCH DIRECTOR
AMERICAN ENTERPRISE ASSOCIATION
REQUEST FROM ADMIRAL STRAUSS FOR FILES CHECK

Tolson	_____
Belmont	_____
DeLoach	_____
McGuire	_____
Mohr	_____
Parsons	_____
Rosen	_____
Tamm	_____
Trotter	_____
W.C. Sullivan	_____
Tele. Room	_____
Holloman	_____
Gandy	_____

On August 27, 1959, Mrs. Virginia Walker, secretary to Admiral Strauss, telephonically contacted Liaison Agent Fields. Mrs. Walker advised Strauss is out of town but called long distance this morning, and asked that she contact the Bureau to obtain any information which we may be able to provide concerning Campbell or his firm, which she stated is located at 1012 14th Street, N. W., Washington, D. C. She added the local phone directory lists Campbell as residing at 8612 Beechtree Road, Bethesda, Maryland. According to Mrs. Walker, Honorable Herbert Hoover is attempting to find a new director for the Hoover War Library at Palo Alto, California, and has asked Strauss to recommend someone. Strauss is considering Mr. Campbell in this regard.

Mrs. Walker further stated Strauss advised that he may need to talk to persons closely associated with Campbell before making a recommendation and would therefore appreciate also receiving the names of any officials of Campbell's firm which may appear in our files. Mrs. Walker stated that some urgency is attached to this matter and Admiral Strauss would appreciate receiving as soon as possible any data which we may provide.

After checking with general indices, Mrs. Walker was advised our files contain numerous references which could possibly be identical with Campbell or his firm, which must be reviewed to ascertain what pertinent data we may have, and that Admiral Strauss will be contacted when this has been done.

ACTION:REC-57
EX 104 20 SEP 1 1959

Name Check Section has been advised and is conducting a review of pertinent files. A memorandum setting forth what our files show will be promptly submitted in order that a decision may be made as to what information, if any, we may furnish to Admiral Strauss.

PHF: jlk (6) *phf*
1 - Mr. Belmont
1 - Mr. Scatterday
1 - Mr. DeLoach
1 - Liaison Section
1 - Mr. Fields

UNRECORDED COPY FILED IN 94-42509-62-65-103

58 DEC 2 1959

Federal Bureau of Investigation
Records Branch8/27, 1959

☐ Name Check Unit - Room 6523
☐ Service Unit - Room 6524
☐ Forward to File Review
☐ Attention _____
☒ Return to S. J. Sullivan 6125 4B
 Supervisor Room Ext.

Type of References Requested:

☐ Regular Request (Analytical Search)
☐ All References (Subversive & Nonsubversive)
☐ Subversive References Only
☐ Nonsubversive References Only
☐ Main _____ References Only

Type of Search Requested:

☒ Restricted to Locality of D.C.
☐ Exact Name Only (On the Nose)
☐ Buildup ☐ Variations
☐ Check for Alphabetical Loyalty Form

Subject W. Glenn Campbell
 Birthdate & Place _____
 Address _____
Dir. of Am. Enterprise Assoc.
 Localities _____

R# _____ Date 8/27 Searcher Initials 1021-10
 FILE NUMBER SERIAL

	NR		
	W. H.		
NI			
NP	21-0-448, 49		
NR			
NR			
NP	100-4614-19		
TNF	121-29092-28		
NR	94-2-23151 DC.		

ON CONTAINED
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ALL INFO
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 DATE

74 diagrams on B9, in Home
 beginning with W.

NR in who who in
 America

Jones 4000 to 4500
 names on names beginning
 with W. not checked.

Federal Bureau of Investigation
Records Branch

8/26/59, 1959

☐ Name Check Unit - Room 6523
☐ Service Unit - Room 6524
☐ Forward to File Review
☐ Attention _____
☒ Return to Mr. [illegible] 612-5-709
 Supervisor 0 Room _____ Ext. _____

Type of References Requested:

☐ Regular Request (Analytical Search)
☒ All References (Subversive & Nonsubversive)
☐ Subversive References Only
☐ Nonsubversive References Only
☐ Main _____ References Only

Type of Search Requested:

☒ Restricted to Locality of D.C.
☐ Exact Name Only (On the Nose)
☐ Buildup ☐ Variations
☐ Check for Alphabetical Loyalty Form

Subject American Enterprise Assoc. of
 Birthdate & Place Wash., D.C.
 Address _____

Localities

R# _____ Date 8/27 Searcher Initials MITK
 FILE NUMBER SERIAL

PR
American Enterprise Assoc.
T 119-26
T 62-8102-1
HP 62-27367-2
NP 100-307978-1
NP 100-12733-1
I 62-94264-3
NP b3
American Enterprise Assoc. b7E

NP 100-378747-195 pgs

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6-27-89 BY SP-5/UP/T

Memorandum to Mr. Belmont
RE: DR. W. GLENN CAMPBELL
RESEARCH DIRECTOR
AMERICAN ENTERPRISE ASSOCIATION, INC.
REQUEST FROM ADMIRAL LEWIS L. STRAUSS

a conservative economist and assisted in publicizing the Director's book. He offered the assistance of his organization in analyzing any legislation for the Bureau without cost.

RECOMMENDATION:

This memorandum is submitted for consideration as to what information may be furnished to Admiral Strauss.

gpc
Suggest we tell Strauss we have no information re Campbell & he might want to talk to Baroody

CPL
8/27

GM

Handled 8-31-59 with Mrs. Walker, Strauss still away, and Mrs. Walker unavailable by phone 8/28+29/59.
PAH

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. A. H. BELMONT *W.C.*

DATE: August 27, 1959

FROM : MR. G. H. SCATTERDAY *W.C.*

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DATE 12-18-89 BY SP-5/LLT

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Gandy _____SUBJECT: DR. W. GLENN CAMPBELL
RESEARCH DIRECTOR
AMERICAN ENTERPRISE ASSOCIATION, INC.
REQUEST FROM ADMIRAL LEWIS L. STRAUSS

Reference is made to the memorandum from Mr. Frohbose to you 8-27-59 concerning the captioned. Admiral Strauss' office, through liaison, requested to be advised of any information available concerning Dr. Campbell and the American Enterprise Association, Inc. (AEA).

Bureau files reveal that we conducted an investigation of the AEA in May and June, 1949, based on a request for investigation by former Assistant Attorney General Alexander M. Campbell to determine whether the Association had violated the Federal Regulation of Lobbying Act. Upon completion of the investigation, which did not indicate any lobbying activities on the part of the organization, prosecution was not authorized. Our investigation revealed that the Association was a nonprofit, educational organization financed by contributions received from 350 to 400 nationally known industrial corporations totaling more than \$200,000 per year. The Association conducted unbiased analyses of the more important bills pending in Congress and distributed copies to over 300 members of Congress. The AEA allegedly performed on a strictly nonprofit, nonpolitical basis with no effort to "sell" or advance any particular viewpoint in connection with pending legislation or to subscribe to any form of lobbying. (62-94264-3)

Our files contain no pertinent information concerning Dr. Campbell. However, Inspector W. C. Sullivan has advised that he is personally acquainted with Dr. Campbell, who is a naturalized citizen born in Canada. Previously, Dr. Campbell was an associate professor of economics at Harvard University but he left that position as his conservative views did not coincide with other Harvard economists. Inspector Sullivan stated that he, Campbell, is a very conservative economist who came with the AEA after leaving Harvard.

Inspector Sullivan indicated that the AEA analyzes legislation in an objective manner, doing considerable work for Senators, Congressmen, etc. It has an outstanding Board of Directors. William J. Baroody is head of the AEA and is a close personal friend of Sullivan's. He also is

- 1 - Mr. Belmont
- 1 - Liaison Section
- 1 - Name Check Section
- 1 - Mr. JW Brown

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FROM

OFFICE OF DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

TO

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 Mr. Tamm _____
 Mr. Trotter _____
 Mr. W. C. Sullivan _____
 Miss Gandy _____

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 For Your Recommendation _____ ()
 What are the facts? _____ ()

Remarks:

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UNITED STATES GOVERNMENT

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TO : Mr. A. H. Belmont

DATE: January 7, 1960

FROM : W. C. Sullivan

SUBJECT: UNITED STATES AID AND INDIAN ECONOMIC
DEVELOPMENT BY P. T. BAUER
INFORMATION CONCERNING (CENTRAL RESEARCH MATTER)

Reference is made to the above-captioned booklet which will be found enclosed along with an article taken from the New York Journal-American of December 31, 1959, and checked by the Director to different persons. As the newspaper article checked by the Director points out, this study was prepared under the sponsorship of the American Enterprise Association. Mr. William J. Baroody, Executive Vice President of the Association asked that I give this copy of the document to Mr. Hoover. This Association and Mr. Baroody have been very friendly to the Bureau.

The document is excellently prepared under the auspices of the American Enterprise Association. The writer is Professor P. T. Bauer of Cambridge University, England, an outstanding author of international reputation in the field of economic conditions of undeveloped countries. The Bureau indices contain no derogatory information on Professor Bauer. Mr. Baroody informs me that he is a very brilliant man who is extremely opposed to any form of socialism or communism.

In his document Professor Bauer points out that when foreign aid is given to India by the United States, the facts should not be lost sight of--that many of the paradoxes of Indian economic policy can only be explained when it is understood that the establishment of a socialist society is the ultimate goal of Indian economic planning. The question posed by Professor Bauer is--should nations committed to freedom of enterprise lend vast sums of money creating a socialist society elsewhere. Professor Bauer concludes that greatly increased foreign aid for India today on the part of the United States will not speed the rise of the general living standards and it may lessen the Indians' resistance to the totalitarian appeals.

This question, of course, of India and other undeveloped areas of the world is one of tremendous importance today in Soviet Russia's drive to win over these areas. A document of this kind produced by such an outstanding scholar

Enclosures *sent 1-8-60*

- WCS:lmm (5)
 1 - Mr. Belmont
 1 - Mr. M. A. Jones
 1 - Section tickler
 1 - Mr. Sullivan

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ENCLOSURE
 CENTRAL RESEARCH

57 JAN 27 1960

Memorandum to Mr. Belmont

Re: UNITED STATES AID AND INDIAN ECONOMIC
DEVELOPMENT BY P. T. BAUER

is certainly a worthwhile addition to the literature on the subject. Professor Bauer's findings are in direct conflict with a proposal by Senators John F. Kennedy, Democrat, Massachusetts, and John S. Cooper, Republican, Kentucky, for massive aid to India for the purpose of fulfilling India's second five-year plan and laying the basis for a third similar plan.

In view of Mr. Baroody's interest in forwarding a copy of this document to the Director, it is believed that a suitable letter of acknowledgment would be desirable. One will be found enclosed.

RECOMMENDATIONS:

(1) For the information of the Director.

(2) That the enclosed letter from the Director to Mr. Baroody be approved and forwarded.

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United States Aid And Indian Economic Development

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DATE 6-27-87 BY SP544PT

By P. T. BAUER



PUBLISHED AND DISTRIBUTED
BY THE

AMERICAN ENTERPRISE ASSOCIATION.
WASHINGTON, D. C.

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UNITED STATES AID AND INDIAN ECONOMIC DEVELOPMENT

By P. T. BAUER



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THE AMERICAN ENTERPRISE ASSOCIATION, established in 1943, is a nonpartisan research organization which studies national policy problems.

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United States Aid and Indian Economic Development is one of a series of AEA studies designed to explore and expand the role of private investment in the development of the underdeveloped countries. This study was supported by funds received from the Donner Foundation, Inc.

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United States Aid And Indian Economic Development

INTRODUCTION: THE GOAL OF INDIAN PLANNING

INDIA IS currently the largest recipient of economic aid from the United States. Governor Harriman, for example, has estimated the total of aid to India at \$1.6 billion.¹ India is also the largest debtor of the World Bank and also of the Development Loan Fund.

Prominent Americans, however, feel that U.S. aid to India is grossly inadequate. Thus the Concurrent Resolution introduced by Senators Kennedy and Cooper in the Senate on February 19, 1959, and their speeches in the Senate on the same day in its support, envisage massive United States aid to India specifically

. . . to assure the fulfillment of India's second 5-year plan and the effective design of its third plan . . .

on the ground that

. . . the continued vitality and success of the Republic of India is a matter of common free world interest, politically because of her four hundred million people and vast land area; strategically because of her commanding geographical location;

¹ Hearings, *Mutual Security Act of 1959*. Senate Foreign Relations Committee, 1959, p. 328. Governor Harriman's estimate may possibly be on the high side; our own is given in Chapter VI below.

economically because of her organized national development effort; and morally because of her heartening commitment to the goals, values, and institutions of democracy.

In his Senate speech, Senator Kennedy said

India has moved into the stage of economic takeoff; her population, her economy, her absorptive capacity, her own efforts, and her administrative structure combine to deserve our firm commitment this year.

Thus the method of Indian economic planning is seen as a justification, and the attainment of its objectives as the goal, of greatly increased economic assistance from the United States to India. Those who share this view number many more than the sponsors of the indicated Resolution. A partial list would consist of Representatives Bowles and Mellow, who have sponsored an identical House Resolution, Gov. Adlai Stevenson, Gov. Averell Harriman, Senator Humphrey, Norman Thomas, *The Washington Post*, Leon Keyserling, Professors J. K. Galbraith and Abram Bergson of Harvard, Professor Gunnar Myrdal of Sweden, and Professors W. Malenbaum, Max F. Millikan and W. W. Rostow of M. I. T.'s Center for International Studies.

The socialization of the Indian economy is the explicit objective of the Second Five-Year Plan. This objective was formally accepted by the Indian Parliament in December 1954. In the words of the Second Five-Year Plan

The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector.²

This objective has been reiterated many times in official statements. Quite recently, at the annual meeting of the Congress Party held in Nagpur in January 1959, Mr. Nehru said

² Government of India, Planning Commission, *Second Five-Year Plan*, Delhi, 1956, p. 45.

... for us there is no other way except that we plan in a socialist way.

and Mr. Balaram Bhagat, the Deputy Minister of Finance added that

This is a turning point in our economy and through institutional and other changes, we must bring about socialist transformation as early as possible.³

As has been noted occasionally outside India, in certain fundamentals the Second Five-Year Plan is modeled on the Soviet Plans. For example, at a conference in London at the Royal Institute of International Affairs in 1957, three prominent British journalists who had recently returned from India reviewed the Second Five-Year Plan. Mr. Andrew Shonfield, economic correspondent of *The Observer*, by no means a conservative newspaper, began his critical remarks on the Second Five-Year Plan as follows:

It is a Soviet-type plan. I do not use that label in any pejorative sense, but simply to indicate that it is a heavy-industry plan. And it is a Soviet-type plan which errs towards Khrushchev rather than Malenkov; the consumer gets a very small look-in. Within the total set aside for industrial investment during the five-year period, rather more than half goes to steel alone, and a lot of what is left over goes into the capital goods industries. The change in the whole emphasis of Indian planning from the first to the second Plan has been to reduce the proportion of agricultural investment and to increase that of industrial investment. And within the industrial sector there is enormous emphasis on heavy industry, and, above all, on steel.

As far as the consumer is concerned no effort at all is made in the industrial sector to fulfill his needs.⁴

Far-reaching political, social and economic issues are raised by current Indian economic planning and by the proposal to under-

³ *Hindustan Times*, Delhi, January 10, 1959.

⁴ *International Affairs*, July 1957, p. 301.

write it by means of economic aid from the United States. This paper examines these issues. The discussion of Indian policy and of its implications (Chapters II-VI) is preceded (Chapter I) by a review of some salient features of the Indian social and economic landscape.⁵

⁵ Two aspects of the presentation of this paper need explanation. The unusually large number of footnotes is intended partly to provide references to sources or specific illustrations, and partly to meet objections in minds of readers familiar with the current literature on underdeveloped countries, or on India in particular. The footnotes can therefore be ignored by readers not interested in detail, or not concerned with the possible objections to particular arguments. Second, readers not interested in technical economic discussion can also ignore the analysis of deficit financing on pp. 31-35.

I. ASPECTS OF THE INDIAN ECONOMY

Size, Increase and Diversity of the Population

THE POPULATION of India is officially estimated at 400 million, and until recently its annual increase was estimated at 5 million. The population is the second largest in the world (after China), more than the total population of the Western Hemisphere, and more than that of any other two countries taken together. The population of India is close on one-half of the total population of the so-called uncommitted nations of current world politics. On a base of 400 million, an annual increase of 5 million implies a decennial increase of around 55 million, without allowing for change in mortality rates. Such an increase is larger than the total population of Great Britain or France. Moreover, this increase is itself growing, and will grow further, partly because the death rate will continue to fall, and also because the size of the population is growing, so that even a constant percentage increase represents a growing absolute increase.

These figures are substantial underestimates, as has been widely suspected for years and confirmed recently. Addressing the Rotary Club of Calcutta in February 1959, Professor P. C. Mahalanobis, Director of the Indian Statistical Institute and Statistical Adviser to the Prime Minister (and also chief architect of the Second Five-Year Plan) said that some recent investigations by the National Sample Survey

... indicate that the rate of growth may be much higher [than the current official estimates adopted in the Plan], something like 1.8 per cent or 1.9 per cent in the rural areas [instead of 1.3 per cent]. On this basis the population may be increasing by 7 or 7.5 million per year.¹

On this basis the current population increase is 40-50 percent higher than the official estimates, and the decennial rate of increase now seems to be already 80 million, and by about 1973

¹ Reported in *Amrit Bazar Patrika* (English language Calcutta daily), February 25, 1959.

it will be about 100 million.² This substantial revision of the estimated population increase illustrates the necessarily very approximate nature of even basic Indian statistics (even of those which do not pose problems of valuation or definition), and thus also the misleading and pretentious nature of detailed statistics and of estimates derived from them. For many purposes Indian statistics can serve only as very broad indicators, subject to wide margins of error. As it is the rural population and its rate of growth that has been underestimated, and as rural living standards are even lower than those in the towns, levels of living in India are probably even lower than is suggested by the official statistics.

The population is very diverse in language, custom and religion. Linguistic differences both illustrate the deep-seated diversity of the population, and also help to perpetuate it. There are about a score different major languages in India, and at least fifteen different major scripts. At an educational conference held under official auspices in Delhi in 1958, government spokesmen expressed the hope that if certain far-reaching educational reforms could be successfully carried out, they might within twenty years reduce the number of major scripts to about four or five,³ which would still exceed the number of major scripts in Europe and the Americas together. Indeed, India is more nearly a collection of peoples and countries rather than a single nation or

² Senator Kennedy, in his speech in the Senate on February 19, 1959, said that the population of India was increasing at a rate of between 2 and 3 percent per annum. This would amount to an annual increase of between 8-12 million people. Senator Kennedy did not indicate the source of this estimate, which seems an overstatement on present information. On the other hand a draft outline of the Third Five-Year Plan emanating from the official Planning Commission estimates the annual rate of population increase at 2 percent during that Plan (1961-66). On this basis the decennial rate of increase would be around 100 million by about 1966-68 without allowing for further decline in mortality.

³ *The Hindu*, Madras, August 19, 1958.

country. This diversity bears on the importance of the development of the transport system (an urgent requirement on other grounds as well) to facilitate communication and thus promote the unity of the country.

These differences, which preceded the establishment of British influence in the eighteenth and nineteenth centuries, also underline the risks of policies likely to endanger the fragile unity of the country. The increasingly close government control of social and economic life in recent years has tended to strengthen separatism by enhancing the prizes of political power and thus the intensity of the struggle for it, and for this reason it has accentuated concern with ethnic differences between the rulers and the ruled, and between the center and the regions or provinces. This tendency has counteracted other official attempts to reduce or eliminate differences between different sections of the population. The Central Government tries to ensure representation to different ethnic and linguistic groups in important political and administrative posts, but this leads to inefficiency without removing the essential factor behind the growth of separatism.

Backwardness and Poverty

About five-sixths of the population live in villages, of which there are about 600,000, and about 400,000 of these have a population of less than 500 each. A large proportion are unconnected by roads, and are cut off from the outside world in the rainy season. About one-half of the national income is derived from agriculture and its ancillary activities, largely subsistence or near-subsistence production. Agricultural methods are primitive. The standard equipment is a wooden plow (often no more than a bent bough), and even simple iron plows are rare. The use of fertilizers is extremely limited; much of the available cow dung is burnt as fuel. Water and soil conservation on individual properties is poor, and where present is usually confined to rudimentary bunds which also serve as primitive boundary lines.

India is extremely poor. The national income per head is around sixty dollars a year, about one-fortieth of that in the United States.

Comparisons between the figures of national incomes of developed and underdeveloped countries are subject to very serious limitations, and they often greatly exaggerate the difference in living standards between the West and the underdeveloped world. But there is no doubt about the reality of Indian poverty.

Information on some major elements in the level of living may convey the meaning and content of such very low incomes. Only about one-sixth of the total population and about one-fifth of the population over fifteen years of age is literate. The masses of the rural population are generally illiterate. Only about one-half of the children between the ages of six and eleven, and only about one-fifth of those between the ages of eleven and fourteen, attend even the most rudimentary school; and a large proportion of the school children attend only for a year or two. Only a very small proportion of the girls, and an almost negligible proportion in the villages, receive any kind of schooling. Electricity, sewerage and drainage are practically unknown in the villages, and over 95 percent of rural houses do not have even a latrine. The mean life expectation at birth is 32 years, and at 15 years it is 36 years. The infant mortality rate is 95 per thousand births, and the standardized death rate around 31 per thousand. In a country of over 400 million people there are only about 120,000 hospital beds and only about 70,000 doctors. The diet of the vast bulk of the population is meager. Food grains, generally of a low quality, account for a large proportion of the food intake.

The material poverty needs to be noted for several reasons. It is the most general and pervasive feature of the economy. Second, its explicit recognition serves to show that a critical attitude towards current policies and influential proposals does not reflect unawareness of Indian poverty, or indifference to its implications. Third, this extreme poverty shows that there is no prospect of raising the national income to anywhere near western levels in the foreseeable future, an obvious conclusion reinforced by the increase in population. From this it follows in turn that a foreign aid program, which is in any way implicitly or explicitly linked

to such an expectation, is certain to become an unlimited open-ended commitment.

Extreme as is Indian poverty by western standards, there are many other underdeveloped countries in Asia and Africa, including such important countries and regions as Pakistan, Indonesia, Burma, and large parts of Africa, where incomes are as low as, or even lower than, in India, except those of the depressed classes of India. Indian poverty is more widely known in the West for various reasons, such as the comparatively extensive intellectual contacts between the West and India, the presence in India of a highly articulate intellectual class fluent in English, and the recognition that India is the home of important ancient civilizations which makes the extreme material poverty appear especially paradoxical and incongruous. The poverty is also particularly obvious in India where there is generally less lush vegetation which in many other poor countries conceals it from the untrained observer. The ubiquitous presence of beggars, encouraged by the two principal religions in India, also serves to remind foreigners of the poverty of the country.

Although India is exceedingly poor, there has nevertheless been considerable progress over the last few decades, and in parts of the economy even rapid progress. The increase in population from about 235 million in 1901 to over 400 million at present, though it poses formidable and acute problems, also reflects material advance, since it is the result of the fall in death rates following on the reduction of famine, epidemic and endemic diseases and infant mortality. Between 1901 and 1951 the standardized death rate declined from about 42 to 32 per 1,000, and the crude death rate by much more, from about 38 to about 14 per 1,000, while infant mortality declined from about 210 to about 100 per 1,000 live births. Over the last half-century there has also been some increase in literacy, which for the adult population has increased from about 7 percent to about 19 percent; the literacy rate among adult women has increased from under 1 percent to about 8 percent. There has also been substantial urbanization in recent decades; between 1921 and 1951 the urban popu-

lation increased from one-ninth of the total population to about one-sixth, partly as a result of the growth of manufacturing industry. Thus in India, as elsewhere, poverty should not be identified with stagnation: that is, a low level is not identical with a zero rate of change.

Factory industry began in India only in the middle of the nineteenth century. Several major branches of manufacturing made considerable headway in the early decades of this century. For instance, by 1939 India had the world's second largest cotton textile industry (second only to that of the United States) with an annual output of 4,000 million square yards; and during a large part of its history the industry was not subsidized at the expense of the rest of the economy. Other indicators of material advance over the last half-century include increased consumption of fresh fruit and vegetables, and some substitution of higher for lower grade food grains, and increased production and consumption of sugar. But the advances in some sectors have nevertheless made little impact on general living standards. There has remained the numerical preponderance of the vast primitive agricultural sector in which there has been little progress. Moreover, the major part of any increase in agricultural output has been largely taken out in the form of larger numbers rather than in higher income per head.

This conjunction of a large primitive sector with other, more rapidly advancing sectors and activities, explains in part the anachronistic coexistence of the backward and the modern which is such a striking feature of the social landscape of India. Millions live in most primitive tribal conditions in remote hills, while other millions work in modern industry and commerce and live in large cities. Among these cities Bombay and Calcutta are essentially modern, while Benares is among the oldest surviving sacred cities of the world where, however, ancient temples and modern factories rub shoulders. The feel and appearance of New Delhi suggests Washington, but Old Delhi nearby is a different world. In the cities the bustling traffic is impeded by animals wandering about or lying down in the streets. On the road the bullock carts,

essentially unchanged since representations of their ancestors were carved on the walls of caves 1500 years ago, carry annually a tonnage of goods equal to that handled by the railways. Completely veiled women travel in modern aircraft.

The Finance Minister, on leaving for the West for complex and delicate negotiations, refuses to be vaccinated on religious grounds. Last year the meetings of the World Bank and of the International Monetary Fund were held in New Delhi; a few weeks earlier in neighboring Old Delhi the task of highly qualified doctors in suppressing a cholera epidemic was impeded by the refusal of many women to be vaccinated. The large modern Indian subsidiary of a world-wide organization producing soap and cooking fats takes expert advice on the methods of the Brahmins in determining the auspicious months for marriages, as the result materially influences the seasonality of the demand for cooking fats, which requires corresponding adjustment of the production programs with modern machinery. These contrasts enhance the difficulties of assessing the process, extent and impact of change.

Social Customs and Attitudes

It is neither possible nor necessary to review the various factors and influences, including social, climatic and biological factors, underlying Indian poverty. It is certainly not meaningful to ascribe it either to the effects of British rule or to general failure of private enterprise. The poorest and most backward parts of India (as elsewhere in Asia) are those unaffected by British administration and generally least in contact with external influences. Again, the advancing and advanced sectors in the midst of Indian backwardness and poverty are those where private commercial and industrial enterprises have managed to shake off the various forces of Indian society inhibiting material advance.

Even if a general review of the causes of Indian poverty were meaningful and useful, which is not certain, it would require a treatise. But it is both necessary and possible to examine certain

The population of the Scheduled Castes almost certainly exceeds 60 million, and may even exceed 80 million, especially if a proportion of the population of the Scheduled Tribes is included, as it should be. The great bulk of the population of the Scheduled Castes are untouchables, who pollute higher-caste Hindus by contact, proximity or even sight. They are barred access to Hindu temples, and also to wells and schools, and often even to roads and ferries used by caste Hindus. They cannot serve high caste Hindus, nor can they be served by cooks, water-carriers, barbers, tailors, laundrymen, who attend high caste Hindus.⁹

J. H. Hutton, Professor Emeritus of Social Anthropology at Cambridge University, describes the disabilities of members of the Scheduled Castes and also the extensive duplication of facilities made necessary by the fact that they cannot be shared by members of different castes, especially by caste Hindus and members of the Scheduled Castes. Here are a few of the examples:

. . . a stranger's shadow, or even the glance of a man of low caste, falling on the cooking pot may necessitate throwing away the contents.

Where there is plenty of water, as in Assam and Bengal, it is easy enough to have different wells, and occasional difficulties can be surmounted by water being drawn from the well by some caste Hindu and poured out for the untouchable. In the drier parts of India the difficulty is more serious, and the outcastes have often had to put up with the most indifferent water supply.

of the Scheduled Castes are in India, not in Pakistan. The last complete census under British rule, in 1931, estimated the total numbers in the Scheduled Castes as 50 million, which was about 21 percent of the Hindu population. Applying this percentage to the present Hindu population results in a figure of about 70 million.

⁹ Although the general effects of untouchability are clear, the picture is blurred because not all high castes have the same standard of touchability. Some low castes are touchable to certain higher castes while they are untouchable to others. There is also untouchability within the Scheduled Castes; some of these castes are untouchable to others, besides being nearly always untouchable to high caste Hindus.

The public road which skirted the temple at Vaikam was forbidden to be used by untouchables . . . and had to be realigned to prevent the pollution of the temple.¹⁰

These are crippling disabilities, especially in the countryside. A significant proportion of the population of the Scheduled Castes were until recently agricultural serfs, and, at least until a few years ago, were bought and sold together with the land.

As the combined result of the extreme poverty and the operation of the caste system, the position in the villages of members of the Scheduled Castes, who represent the bottom layer of the social and economic system, is exceptional even in the underdeveloped world, and barely imaginable to those with western ideas. Thus, over considerable areas in Uttar Pradesh, the most populous Indian state, and Bihar the third most populous, a large number of people regularly eat *gobraha*, that is grain picked from cow dung, which illustrates both the condition of the people and the competition between people and cattle for food.

The Central Government is trying to relax the hold of caste by education and propaganda, as well as by special expenditure on the provision of educational work facilities for untouchables, and on the construction of some wells for them. But the effort under these headings is very limited. Moreover, the operation of various economic controls, especially the licensing of industrial and commercial activities, and the restrictions on the movement of agricultural products and on the activities of traders, obstruct geographical and occupational mobility, which retards the disintegration of the caste system and of the attitudes associated with it. Various restrictions on emigration also work in this direction, as they diminish the opportunities for escape from some of the most caste-ridden areas, especially in South India.¹¹

¹⁰ J. H. Hutton, *Caste in India*, Bombay, 1951, pp. 72, 81, 82.

¹¹ There is an illuminating discussion of the economic results and implications of the caste system and of other Indian social customs and attitudes in Vera Anstey, *The Economic Development of India*, 4th edition, London, 1952.

Attitude Towards Animals

A large proportion of the Indian population object to the killing of animals. Besides its immediate and direct effects on the food supply, this attitude obviously restricts the scope of animal husbandry, severely circumscribes agricultural operations and obstructs progress in agriculture. An extreme example is that of the Jains, a considerable sect, adherents of which will not knowingly take any form of animal life, even that of insects and bacteria. They object to the killing of locusts, to the use of insecticides, and even to such measures as the chlorination of water designed to kill the agents or carriers of cholera, typhoid or malaria and other fatal or debilitating diseases of people, livestock and vegetation.

The ancient Hindu veneration of the cow is of special importance. It has recently found embodiment in statutory measures. In his own country at any rate, a Hindu will not eat beef or veal or kill a cow, and will generally resent the killing of any cattle. Section 48 of the Indian Constitution lays down as one of the directives of policy that the state will take steps for

... prohibiting the slaughter of cows and calves and other milch or draft cattle.

Legislation has in recent years been introduced in a number of Indian states, including some of the largest (for instance Uttar Pradesh—much the largest Indian state, with a population of about 70 million—Madhya Pradesh, Mysore and Rajastan) prohibiting the killing of all cattle; and in areas not covered by state legislation there are often municipal ordinances and measures prohibiting the slaughter of cattle. The position is now that the slaughter of cows is banned practically throughout the whole country, and that of other cattle probably in over half the country. Some of this legislation, notably the Uttar Pradesh legislation also specifically prohibits the sale, or transport for sale, of all beef or beef products, so that such meat slaughtered in neighboring states cannot be imported and sold in that state.

The scope of these measures is exemplified by the Uttar Pradesh legislation (Uttar Pradesh Act, No. 1 of 1956). This absolutely

prohibits the slaughter, or the offer for slaughter, of any cow, and "cow includes a bull, bullock, heifer or calf." It also prohibits the sale, or transport or offer for sale, of beef or beef products in any form. The legislation elsewhere is substantially similar, and in some instances covers buffaloes as well. This legislation was passed almost simultaneously with the official inception of the Second Five-Year Plan in April 1956.

Such measures might be thought to be redundant, as Hindus will in any case not kill a cow, and rarely countenance the killing of any form of cattle. They nevertheless affect the position on at least two grounds. First, they reinforce the traditional attitudes and prevent their disintegration. Second, they prevent non-Hindus, especially Moslems who are about ten percent of the population, from slaughtering cattle. Before this legislation, and especially before Independence, Hindus, ostensibly unaware of the fate of the animals, often sold cows to Moslems who then slaughtered them.

The immunity of the cows from slaughter, and the privileged position of cattle generally, significantly affect agricultural production. India has more than 180 million cattle, easily the largest cattle population in the world, indeed, about one-quarter of the estimated world total. The cattle are used as draft animals on a large scale. But their contribution to the meat supply is negligible, and the output of milk is also very small; indeed, only a small minority of cows yield any milk for human consumption. In the words of the *First Five-Year Plan*

India has to support today about 177.4 million heads of cattle, which is nearly one-quarter of the world's total bovine population.¹²

This formulation suggests that cattle more nearly compete with people for food rather than contribute to the food supply. The attitude towards cattle ensures that their commercial contribution is small relatively to the cost of maintaining them. The re-

¹² Government of India, Planning Commission, *The First Five-Year Plan: a draft outline*, Delhi, 1951, p. 109.

fusal to slaughter cattle obviously reduces current food supply. It also affects disastrously the prospects of improving the quality of livestock and agricultural methods generally. Selective slaughter is impossible. Millions of half-starved unproductive cattle prevent improvement of grazing and often destroy it, besides damaging the primitive bunds which offer rudimentary protection against soil erosion. These familiar effects have all been accentuated by the recent restrictions or total bans on the slaughter of cattle which have resulted in a rapid increase in numbers, especially since various epidemic diseases of cattle, notably *rinderpest*, are more effectively controlled than in the past.

Thus, while the total cattle population was approximately stationary between 1920 and 1945 (the numbers being kept down by the effects of disease and by slaughter by non-Hindus), in recent years it has begun to increase very rapidly.¹³ Half-hearted efforts by the Central Government to establish cattle rest homes (*gosadans*) to which useless cattle can be confined until their death have been unsuccessful, partly because of popular opposition. The recent measures preventing the slaughter of cattle have borne especially harshly on the non-Hindu population, particularly the Moslems, who in many areas now cannot get beef at all, and either have to go without meat, or buy much more expensive mutton or goat meat.

Monkeys are also very rarely killed by Hindus. Large numbers can be seen roaming about unmolested; they ravage the crops and often raid food shops and stores, even in fair-sized towns.

¹³ Although there is only sporadic information on this subject the general picture is quite clear. According to an official estimate by the Director of Animal Husbandry in Mysore State the cattle population in that state, where slaughter was prohibited in 1948, increased by 14 percent between 1948 and 1951. Government of India, Ministry of Food and Agriculture, *Report of the Expert Committee on the Prohibition of Slaughter of Cattle in India*, Delhi, 1955, p. 61.

Other Attitudes and Customs

Beggars are unusually numerous in India. The 1951 Indian census (which was industrial rather than occupational) put their number at 488,000. This is almost certainly a very great underestimate, and a million would probably be a closer estimate.¹⁴ As is clear from the uneven incidence of beggary among different ethnic groups, the large number of beggars is not solely a result of the poverty of the country. There are no beggars or paupers among the Parsees, and comparatively few among the 6½ million Sikhs.

Hinduism and Islam, the two principal religions, encourage begging, since they enjoin their followers to support beggars. Both religions extol the contemplative life, especially that of the religious mendicant, which encourages the emergence of large numbers of both genuine and bogus religious mendicants. To the Hindu there is generally no social stigma attached to beggary. There are many high caste beggars (who, unlike members of the lower castes, are admitted to the temples) whose social status is not impaired by their occupation.¹⁵ Sikhs and Parsees on the other hand definitely frown on begging, and these different attitudes largely explain the different incidence of beggary.

The absence of social stigma in begging and the popularity of religious mendicants are related to another widespread attitude in India which adversely affects material advance. This is the contemplative, nonexperimental, uncurious and fatalistic outlook of large sectors of the Indian population, especially the rural population and certain sectors of the intelligentsia. These attitudes have for centuries been more pronounced in India than in China and Japan, and partly account for the low level of skill and care in husbandry compared to China and Japan.

There are many other social attitudes and customs which affect adversely material progress. Examples include the social obliga-

¹⁴ The last comprehensive census held under British rule in 1931 put the number at 1.4 million for India as a whole.

¹⁵ There is a detailed discussion of these and related problems in J. M. Kumarappa, *Our Beggar Problem*, Bombay, 1945.

tion to incur lavish expenditure on marriages and funerals; the joint family system, which obliges even moderately prosperous people to share their income with even distant relatives;¹⁶ and severe restrictions on the activities and opportunities of women, especially in the rural areas. A bare mention of these is sufficient as they are fairly well known, and operate in India in much the same way as in many other underdeveloped countries.¹⁷ The virtual absence of contraception in the countryside deserves special mention. Although there is much official propaganda in its favor, comparatively few people practice contraception, especially in the villages, partly because of ignorance, partly because of its cost, but in part also because of deliberate refusal to adopt it in order to have many children or for various religious and social reasons.

In spite of their manifest importance and pervasive nature, these attitudes and modes of conduct, or the official measures embodying or reinforcing them, are very rarely mentioned either in the literature on Indian planning, or in the accounts of the Indian economic situation reaching the West.¹⁸

This reticence or silence is due to various factors. These attitudes and customs present embarrassing dilemmas to Indian intellectuals who wish to present themselves as spokesmen and representatives of the masses while at the same time they are ashamed to acknowledge the prevalence and strength of attitudes which certainly retard material progress and which might be regarded

¹⁶ The joint family system, by pooling the resources of a group, yields important social and economic benefits in a subsistence or near-subsistence economy. Beyond this stage, however, it generally retards economic growth.

¹⁷ Though the restrictions on the opportunities and activities of women in many parts of India are more severe than in other underdeveloped countries, except in the Islamic world.

¹⁸ Certain passages in the *Second Five-Year Plan* (Chapter 14, section 1) which deal with animal husbandry are so worded as to suggest to the uninitiated reader that the primary purpose of the prohibition of the slaughter of cows is to improve the quality of cattle.

as evidence of backwardness in western eyes.¹⁹ The Indian Government and the Indian intellectuals also do not want to publicize attitudes and measures which may react adversely on the prospects of receiving foreign aid.

The same applies to most of the western, especially American, journalists, university teachers and official personnel, who wish to promote foreign aid to India and to support Indian economic planning, and thus do not wish to publicize matters which may alienate western opinion. Lastly, many representatives of the West and the writers on Indian affairs simply do not know about these matters, as their contacts are restricted to official sources, to a handful of westernized intellectuals, or to easily accessible but second or third-hand published material. But although many of these matters are comparatively unknown outside India, they bear closely on the economic situation and prospects, and also on the effectiveness of different policies for promoting economic development.

Potentialities for Change

The aim of the discussion of the preceding pages should not be misunderstood. Its purpose was to show the presence of certain attitudes, customs and policies affecting material progress. However, it should not be inferred from the discussion that the propositions of economics are irrelevant to India. There, as elsewhere, people tend to buy less of commodities the prices of which have

¹⁹ The desire by the ruling groups to conceal aspects of Indian backwardness and poverty often inflicts heavy costs on the poorest people. Emigration controls provide an example. Emigration from India for unskilled work abroad, especially from South India to South-east Asia, has for some years been subject to various restrictions or even prohibited. In recent years these restrictions or prohibitions have been supported on the ground that it harmed India's prestige that her citizens should emigrate for coolie work. Such restrictions are usually proposed and imposed by well-to-do politicians and administrators, and bear harshly on the would-be emigrants from the overcrowded and caste-ridden areas of South India.

risen (as indeed they have to as incomes are limited); and they try to make the most of their limited opportunities. Their relevance is recognized by the practice of Indian governments which tax commodities the consumption of which they wish to discourage, and subsidize those which they wish to encourage. The Hindu peasant will not kill a cow, but he will sell his output where he can get the highest price, and cultivate the crops which are the most profitable.

Nor should it be thought that Indians are unresponsive to economic opportunity or unfit for material progress, and that the prospects of development are therefore hopeless. This is not the case. There are in India large reserves of latent talent and energy, the development of which is greatly impeded or even suppressed by the restrictive social environment, the effects of which are often reinforced rather than mitigated by official action.

The presence of these latent reserves is suggested, for instance, by the rapid development of certain sectors of the economy, by the energy, enterprise and resourcefulness displayed in these sectors by large numbers of Indian traders and industrialists. It is suggested also by the large numbers of Indian emigrants, and by their performance in their country of adoption. Until their movement was barred by restrictions both abroad and in India, hundreds of thousands of Indians emigrated, especially from the poorest and most caste-ridden areas of South India, which shows that even ignorant and illiterate people were anxious to improve their lot, and especially to escape the bondage of caste. And the economic success of large numbers of these often penniless emigrants in Burma, Malaya, Ceylon and East, Central and Southern Africa is evidence of valuable economic qualities such as industry, thrift, endurance and perception of economic opportunity. Although where large numbers of both Indian and Chinese migrants arrived in comparable conditions, as in Malaya and Burma, the performance of the Indians was generally well below those of the Chinese, they nevertheless contributed considerably to economic development. This performance suggests both their

capacity for economic advance, and also the stifling effects of their home environment.

Some of the attitudes in India which are most adverse to material change are indeed unique to the country or especially pronounced there, such as the operation of the caste system, the veneration of the cow, the reluctance to take animal life, and contemplative, nonexperimental outlook. But other attitudes and customs, including for instance the joint family, are well known from the earlier history of the developed countries, and their gradual disappearance, often over long periods, was a major condition of economic progress. The Government can do much to promote the emergence of attitudes more congenial to material progress, in helping to break the bonds of custom, and in widening the alternatives open to people, by such means as the spread of education and the improvement of communications.

This range of tasks devolves largely on the Government because individuals do not possess the necessary means, authority, and opportunities; and in India these tasks are more difficult, necessary and urgent than elsewhere, notably than in the earlier history of the developed countries. They are more difficult because of the long history and pervasive nature of some of the most deeply entrenched customs and attitudes; more necessary because some of these adverse attitudes were absent elsewhere; and more urgent because for various reasons, including the rapid population increase, the time dimension envisaged for Indian economic development must be shorter than the long centuries over which economic development extended in Europe before the eighteenth century. Thus government policy needs to be scrutinized by reference to its performance in this vitally important sphere.

II. THE SECOND FIVE-YEAR PLAN: PUBLIC INVESTMENT AND DEVELOPMENT

MR. NEHRU, in an address in Delhi last year, described the Second Five-Year Plan as "the first organized attempt at real planning in India" in contrast with the First Plan, which he described as "a modest approach to planning."¹ Besides being the current plan, and the subject of the Kennedy-Cooper resolution, the Second Plan (1956-61) also indicates the trend of events in India. It is therefore appropriate that we shall consider largely this Plan with an occasional reference to a draft outline of the Third Plan, and also occasionally refer to the First Plan (1951-56) in which some of the later ideas were already discernible.²

The real significance of the Second Plan cannot be understood except in the context of the general social, economic and political objectives of the Indian Government and its influential advisers. Indeed, important aspects and elements of the Plan are incomprehensible unless seen in this broader context. It is, however, convenient first to discuss the Plan specifically before placing it in the necessary perspective. The discussion proceeds as follows. The present chapter deals primarily with the public sector of the Plan, notably with public investment in industry, which is regarded as the mainspring of Indian economic development. Chapter III deals primarily with cooperation, land reform and cottage industry under the Plan, which also belong essentially to the public sector. The position of the private sector under the Plan is considered in Chapter IV, and the wider objectives, aims and implications of the Plan in Chapter V.

Scope of the Plan

The Second Plan is essentially a set of official policies, measures and proposals for determining the composition and direction of the economic activity in both the public and private sector, and

¹ Reported in *The Hindu*, May 4, 1958.

² Unless otherwise indicated, references to the Plan are to the Second Five-Year Plan.

especially the volume and composition of investment. Statistics or statements on its size and scope, notably about the expenditure projected under it, are frequently ambiguous and obscure, as they often refer to different and shifting categories of government expenditure or combinations of government expenditure and private investment.³ And changes in the coverage of the statistics or estimates affect their comparability over time. For these and other reasons the statistics of the Plan need to be handled cautiously, and except for certain limited purposes, the use of detailed statistics is inappropriate. It is also misleading since measures under the Plan extend far beyond the outlay covered by them.

An increase in the total national income of 25 percent by 1961, the establishment of a socialist pattern of society,⁴ the development of heavy industry and the raising of living standards are the major objectives of the Second Plan most often mentioned in the official literature. But the raising of living standards, though still mentioned at times, is much less prominent than in the First Plan, and has received progressively less emphasis in recent years.

The principal elements of the Plan are a large increase in in-

³ Statistics of expenditure under the Plan refer at different places to various magnitudes: all government expenditure; all government investment; certain categories of government investment; all government investment, or some government investment coupled with certain categories of current outlay; combination of these categories together with certain types of private investment; some increase under some of these headings, together with total outlay on others; and there are other variants as well. Moreover, some statistics relate to estimated outlay and others to actual expenditure. Also, in India, as elsewhere, the distinction between investment and current outlay is often arbitrary. Indeed, Indian budgets do not distinguish generally and consistently between current expenditure and investment expenditure. For these various reasons it would be inappropriate to present here tables of the different categories of Plan expenditure.

⁴ The content and interpretation of this concept are considered at greater length in Chapter V, below.

vestment, especially by the Government; extension of the public sector; substantial expansion of industrial capacity, very largely in heavy industry, and primarily by the Government; the financing of a large proportion of government outlay by the creation of money; partial or complete nationalization of certain industrial and commercial activities; large-scale subsidization of cottage industries (that is domestic industries or handicrafts), as well as massive assistance to the cooperative movement and state participation in it; various institutional changes, especially rural land reform; and close control over the private sector, especially by means of direct controls.

Plan Outlay and Investment

The Plan considered the growth of the national income as governed largely by the level of investment expenditure, the relation being determined and measured by the incremental capital-output ratio, estimated by the Planning Commission at 2.3 for the period of the Second Plan; that is, for every 2.3 million dollars of investment the annual net national income would increase by one million dollars. The Planning Commission of the Government considered this a conservative estimate of the productivity of investment, as the corresponding figure for the First Plan was put at 1.88. The Plan envisaged total investment of about 13 billion dollars over its duration, about 8 billion in the public sector and about 5 billion in the private sector.

These were large increases over the corresponding figures of the First Plan. Total investment was to be about double, with the increases in the public sector at 150 percent and in the private sector at 50 percent. This figure for public investment is in fact less than the total public development outlay under the Plan, which includes certain items regarded as part of development outlay but charged to revenue in the government accounts. These items represent another 2—2½ billion dollars, raising the total public expenditure under the Plan to rather over 10 billion dollars. Plan expenditure excludes so-called nondevelopmental outlay, which covers most of the usual governmental functions, and it

also excludes the current expenditure on various schemes initiated under the First Plan.⁵

The estimates of the Second Plan imply an increase in domestic saving and investment (public and private) from about 7 percent of the national income at the beginning of the Plan, to around 10 percent or more at its end, that is an increase in the rate of domestic saving by approximately one-half in five years (and, as just noted, an approximate doubling of the rate for the entire Second Plan period compared to the First Plan). Although as a proportion of the national income a rate of saving of 10 percent is not very high compared to those of other countries, both this figure and the planned increase over a very short period are very high in prevailing Indian conditions, notably the large subsistence sector (the presence of which implies a much higher proportionate rate of saving in the exchange sector), the acute poverty, the institutional obstacles to the spread of the exchange economy, the small proportion of the population paying direct taxes, and the restrictive and discouraging effects of government policy on business saving.

Deficit Finance

About 3.3 billion dollars, or about one-third of total government spending under the Plan, was to be covered by deficit financing. In Indian terminology deficit finance refers to the excess of government expenditure over receipts from three sources, viz. taxation, loans from the public and drafts on Government reserves. Thus it refers to a government deficit financed by the creation of money, and not simply to a budgetary deficit.

This large-scale creation of money to finance government spending was deemed necessary even on very optimistic assumptions of prospective receipts from taxation, from loans from the public, and from generous external assistance. Its scale can be

⁵ For instance, Plan outlay excludes the heavy defense expenditure which is a major item of the Indian budget; it substantially exceeds expenditure on education. It largely reflects the strained relations with Pakistan and the cost of policing Kashmir.

measured by the fact that the expected deficit was more than four times as large as the total expected revenue surpluses of the Central and State Governments over the whole Plan period at 1955-56 tax rates (i.e., the deficit was over four times the expected contribution from taxation at 1955-56 rates to the Plan finances); the deficit also far exceeded the combined total of the surpluses at the 1955-56 tax rates, together with the expected receipts from loans. Tax receipts at 1955-56 rates were expected to contribute about one-twelfth of the total government expenditure under the Plan. Additional taxation was expected to raise this proportion to about one-sixth. And even on very optimistic estimates of prospective receipts from taxation from additional sources, from loans and from external sources, one-third of the Plan outlay still had to be financed by the creation of money.

As the estimates of receipts from taxation and loans proved in fact to be quite unrealistic, deficit financing was necessary on an even larger scale than had been anticipated. In the first two years of the Plan, from April 1956 through March 1958, deficit financing totaled about 1½ billion dollars.⁶ Thus the deficit was running at an annual rate of three-quarters of a billion dollars as against the Plan's average annual rate of about three-fifths of a billion dollars, which in turn was twice the maximum regarded as reasonably safe by the few isolated critics of the Plan.⁷ The position over the third year, 1958-59, is not yet available in detail, but is broadly similar. Altogether the deficit financing in the first three years of the Plan was about 2 billion dollars, even though very appreciable emergency external assistance had been received, largely in 1958-59.

It was this large-scale deficit financing which precipitated the Indian foreign exchange crisis in 1958. The Second Plan envisaged a total draft on foreign exchange reserves of about 420 million dollars over five years. The actual draft on reserves

⁶ Figures given in Government of India, Planning Commission, *Appraisal and Prospects of the Second Five-Year Plan*, pp. 7-9. This publication will be referred to as *Appraisal and Prospects*.

⁷ See note 11 below.

totaled about 1½ billion dollars between April 1956 and September 1958, that is about three times as much in less than half the time, in spite of substantial foreign aid from various sources. This very wide divergence between official anticipations and the actual course of events lent unconscious irony to Mr. Nehru's statement, already quoted, which he made at the height of the exchange crisis, that the Second Plan was the first example of real planning in India.

The need for heavy deficit financing reflected the gap between the resources required for the Plan expenditure and those available for the purpose from domestic and external sources. The Planning Commission set a target for the national income, and calculated the volume of investment which in the opinion of the Commission was required for its attainment on the basis of a capital-output ratio of 2.3; and they then prescribed this rate of investment, regardless of the available resources, which were clearly insufficient.

The Government hoped that deficit financing might serve to divert to itself further resources from the private sector which it could not or would not raise through other forms of taxation or borrowing. Such a course carried with it the danger of internal inflation and of a large-scale foreign trade deficit. The Government expected to avert these dangers by strict controls on prices, on foreign exchange transactions, and on the private use of resources generally. This proposed course accorded with the injunctions of the majority of the Government's official Panel of Economists who, in a *Memorandum on the Draft of the Second Five-Year Plan*, urged the Government to adopt the necessary controls to secure the required resources for the Plan:

. . . the most important of these are capital issue control, the regulation of establishment, location and operation of certain types of industrial units, control over the imports of capital goods and consumer goods, control over the allocation of products like cement and steel, control over the exports of selected commodities.

They had few hesitations since:

We cannot therefore emphasize too strongly the importance of facing up boldly and without hesitation to the legislative and administrative implications of a bigger and bolder plan.⁸

The economic analysis of the process and effects of large-scale deficit financing of the Indian variety is essentially simple. Large-scale creation of money to finance government spending implies that the expenditure exceeds the resources of the Government from taxation, public subscription to loans, and drafts on external resources. In a closed system large-scale creation of money raises money incomes and prices.⁹ In an open system (that is with appreciable foreign trade) with a fixed exchange rate the process tends to set up a deficit in external payments by increasing the money demand for goods and services, including both imports and also potential exports, without a corresponding increase in output (save in certain conditions of general unemployment of resources inapplicable to India). By putting pressure on domestic prices the process further discourages exports and attracts additional imports, thus increasing further the payments deficit.

The size of the deficit finance, the volume of exchange reserves, the availability of foreign credits, and the extent and effectiveness of price, exchange and import controls, are among the principal factors which determine when this process results

⁸ Government of India, Planning Commission, *Papers Relating to the Second Five-Year Plan*, Delhi, 1955, pp. 13 and 18. This is a volume published by the Government of India which comprises various papers by the Planning Commission and by Indian economists on various aspects of Indian economic planning, especially comments on official drafts of the Second Plan. This volume will be referred to henceforth as *Second Plan Papers*.

⁹ Creation of money is, of course, not inflationary if it does not exceed the additional money supply required to finance expansion of output at stable prices; Indian deficit financing exceeded this several times over.

in an exchange crisis. The process is unlikely to last beyond a year or two in the absence of huge reserves, or the ability to impose and administer comprehensive controls regimenting the economy, including extensive government allocation of resources, as less drastic measures only shift the incidence of the process between different sectors without affecting the aggregate result. Without direction of labor, or detailed control of consumption, neither of which would be practicable in India without an avowedly totalitarian regime, the imposition of price controls and physical allocation do not substantially affect the situation. Such controls do not curtail aggregate spendable incomes, nor do they augment available supplies.

The financial history of India under the Plan underlines the relevance of this simple analysis. In India the imposition of severe and extensive controls over the private sector did not avert serious inflation and a major foreign exchange crisis. The retail price index in India rose by about 20 percent from April 1956 (the inception of the Plan) to October 1958 in spite of extensive price controls, and in spite of the disinflationary effect of the large import surplus (which is disinflationary because it increases the volume of goods and services in the country compared to the flow of money incomes). Moreover, the official index almost certainly considerably understated the actual rise in prices.

The so-called foreign exchange gap is simply a manifestation of a shortfall in real resources, of the difference between the resources used in India for current investment and consumption on one hand, and on the other hand the value of current output, the inflow of foreign capital and the draft on reserves at the rate considered safe. And it was this gap which brought about the drain on reserves at a rate much more rapid than was anticipated by the Government and the majority of its advisers. The exchange crisis was not due to accidental or external circumstances, such as a rise in import prices or bad harvests, as has often been argued by Indian spokesmen and

their American supporters when urging additional foreign aid, especially in 1958 and 1959.¹⁰

Similarly, the situation cannot be corrected by curtailing imports or reducing only government outlay with a large foreign exchange component while leaving total expenditure substantially unchanged. Such measures do not reduce spendable incomes, or total expenditure, and do not increase the flow of saving, and thus do not close the gap in real resources, of which the foreign exchange gap is a manifestation. Nor would increased output eliminate the foreign exchange gap, because normally it results in a corresponding increase in both income and expenditure, thus not reducing the gap between available resources and the claims on them. These points are again generally ignored in current discussion (as, for instance, throughout *The New India*) of measures required to correct the Indian payments deficit.

In the discussions which preceded or accompanied the inception of the Second Plan, at least three economists in contact with the Indian Government pointed out that deficit financing on the scale contemplated in the Plan was excessive, and would result in an exchange crisis or an enforced scaling down of the

¹⁰ As, for instance, in *The New India*, New York, 1958, a joint official publication of the Planning Commission of the Government of India and the Ford Foundation, especially pp. 146-7. The whole discussion of the foreign exchange gap in that volume is vitiated by a failure to perceive the connection between the exchange gap and the gap in real resources which is reflected in large-scale deficit financing. Indeed, the discussion confuses the issue by insisting that development "requires two kinds of financing" or, in fact "*two kinds of money*" (p. 127, italics in the original).

Variations in the harvest or in import prices do not in themselves affect the payments deficit substantially because they result in corresponding changes in incomes and thus in the volume of consumption and investment, i.e., in the volume of resources used. In themselves they do not create or affect the foreign exchange gap, which reflects the gap in real resources, namely the difference between domestic expenditure and domestic output at current prices.

Plan. They were Professor Milton Friedman, Mr. Nicholas Kaldor, and Professor B. R. Shenoy.¹¹ These isolated warnings were lost in the general unwillingness of the influential advisers to reduce the magnitude of the Plan. The failure or refusal of the Government and its professional advisers to recognize the influences at work only aggravated the dangers inherent in the situation.

There is no general unemployment of resources in India caused by a lack of effective demand which would make possible large creation of money without inflationary effects. Unemployment in India reflects essentially lack of complementary resources, not lack of effective demand. In these conditions expansion of the supply of money is inflationary if it exceeds the limited amount required for the additional cash balances needed for the growth of output at stable prices.

The failure to appreciate the potentialities, limitations and process of inflationary deficit finance is widespread in India, and in foreign comment on the Indian situation, in spite of the essentially simple nature of the problem and its accurate diagnosis by Professor Shenoy and one or two other economists.

Indeed, much of the official literature confuses money expenditures and real resources. Thus the *Second Five-Year Plan* states on pp. 93-4: "As regards working capital, there would be even less difficulty [than in securing fixed capital] in view of the deficit financing proposed in the Plan"—an elementary confusion between an increase in real resources and an increase in paper titles. Again, Professor D. R. Gadgil, the senior member of the Panel of Economists advising the Planning Commission, wrote in 1955 that if receipts from taxation, borrowing, sterling balances

¹¹ Professor Friedman in an unpublished memorandum dated November 1955; Mr. Kaldor in *Indian Tax Reform*, Delhi, 1956; Professor Shenoy in his *Note of Dissent to the Memorandum of the Panel of Economists in Second Plan Papers*, and in *Problems of Indian Economic Development*, Madras, 1958 (a course of lectures delivered at Madras University in 1955-56), and in many articles published in recent years.

and foreign aid would be insufficient for a bold plan there are only two sources left, namely an extension of the public sector and deficit financing.¹² But the extension of the public sector cannot augment resources unless it is used as an instrument of taxation, while deficit financing does not secure this either, but only adds to the flow of money incomes.

It is also widely believed that deficit financing will not raise prices if there is a subsequent increase in output. However, the increased output implies the earning of higher incomes and thus cannot serve to absorb the money created earlier which will already have raised money prices and money incomes.

Here is an authoritative expression of this influential error: "The availability of more food can, at least partially, offset inflationary tendencies in the national development programme. During the period of building industrial plants, workers are employed in construction, and, therefore, purchasing power is created ahead of offsetting increases in the production of consumer goods. This creates inflationary pressure and prices rise. But such a large portion of consumer expenditure goes for food that inflationary tendencies in other sectors of the economy will largely be offset if more food becomes available."¹³ This reasoning ignores the expenditure of the incomes of the sellers of agricultural output.

Although the basic analysis is plain, the magnitude of the resource gap and of the corresponding foreign exchange gap is necessarily conjectural. In 1955 Professor Shenoy estimated the gap at 4 to 5 billion dollars for the Second Five-Year Plan, i.e., about a billion dollars annually, on the basis of a planned development outlay of about 15 billion dollars (that is government

¹² *Policy Decisions in Planmaking, Second Plan Papers*, pp. 509-510.

¹³ *India's Food Crisis and Steps to Meet It*, Government of India, Ministry of Food and Agriculture and Ministry of Community Development and Co-operation, Delhi, 1959, p. 13. This document is the officially published report of an Agricultural Production Team sponsored by the Ford Foundation. It will be referred to as *India's Food Crisis*.

development outlay and private investment). He stated plainly that this gap would have to be filled by a combination of additional foreign aid and drafts on reserves, with some scaling down of the Plan, together with additional saving. He noted, however, that in the absence of drastic measures of compulsion no additional savings could be expected on a sufficient scale to contribute substantially to the filling of the gap.¹⁴ His analysis was amply confirmed by the events of 1956-59 in which the running down of reserves far in excess of the anticipated rate, emergency aid and proposed scaling down of the Plan, all figured prominently.

Investment Expenditure and the Growth of Income

The notion that economic advance depends largely on investment expenditure pervades the Second Plan. This approach is grossly oversimplified, and it issues in wasteful policies.¹⁵

The increase in the total national income during the First Five-Year Plan, estimated at about 18 percent, cannot be meaningfully ascribed to the volume of investment expenditure during its currency. Both official and unofficial statements to the effect that the First Plan brought about this increase in the national income simply confuse an historical and a functional relationship; that is, they ascribe causal connection between two events which simply coincide in time.¹⁶ The publications of the Planning Commission are ambivalent in that at times they suggest an appreciation of the difference between a functional and an historical

¹⁴ Especially in *Problems of Indian Economic Development* and in his "Note of Dissent" in the *Second Plan Papers*, pp. 21-32.

¹⁵ Here is but one example of this oversimplified approach:

"For the second plan period, as will be seen later, an investment of Rs. 6,200 crores is expected to result in an increase in national income of Rs. 2,700 crores. This gives a capital-output ratio 2.3:1." *Second Five Year Plan*, p. 9.

¹⁶ Here are two examples: "The overall results of the first plan may be stated briefly here. National income over the five years has increased by some 18 per cent. Foodgrains production has gone up by 20 per cent;" Government of India, Planning Commission, *Approach*

relationship, but more often the distinction is obscure.

The relation between capital expenditure and income is far more complex than is assumed by this approach. The growth of income is certainly not a simple function of the money expenditure labeled investment. Heavy investment expenditure in particular directions need not increase the growth of income compared to what it would have been with alternative uses of resources. Expenditure does not become productive simply by being termed investment, as is clear from ample experience ranging from the Pyramids, through the Mogul buildings of India, to the East African groundnut scheme. Conversely, substantial growth of income can result from developments which require little or no investment as, for instance, the spread of knowledge, or the growth of the exchange economy as a result of changes in social habits, or of the spread of new wants and new methods. The tenuous nature of the functional relationship between investment and the growth of income is underlined when a large part of investment is public investment financed by taxation (including the creation of money) which not only implies a transfer of resources from the private sector (where they may otherwise have been used either for consumption or investment) to the public sector, but the collection of which may discourage private saving, effort and enterprise.

The contribution of investment to development is a net factor after allowing for the repercussions of both the collection and the expenditure of the funds; and the repercussions include not only a diminution of resources in directions from which they have been transferred, but also the effects of their collection on

to the *Second Five-Year Plan*, p. 2. "The Plan [the First Five-Year Plan] achieved an actual increase of 20 per cent in foodgrain production (the target had been 15 per cent), . . ." *The New India*, p. 164. This is in a section headed "The First Plan's Accomplishments." In fact, favorable weather conditions in the closing years of that Plan were a major factor in the increase in food production. In 1957-58 output was appreciably less than in any one of the preceding four years.

the incentive to save, invest, undertake risk and incur effort. This last consideration, which is generally relevant, is specially important when there is still a large subsistence sector. The development of production for the market, which in turn is a condition of the emergence of an agricultural surplus, is an essential condition of material advance. As taxation falls on the exchange sector it reduces the relative attraction of production for sale compared to subsistence production, with unimportant exceptions not relevant to India, notably the imposition of taxes such as poll taxes designed to force people to earn money to pay them. Thus the level and structure of taxation are highly relevant to the extension of production for the market.

Discussions on Indian planning only too often, indeed almost generally, consider government development outlay as an equivalent addition to resources, regardless of the provenance of the funds and of the repercussions of their collection. And not only is there no recognition of the fact that a transfer of funds is involved, but the different effects of different forms of taxation on the private sector and notably on the spread of the exchange economy are also ignored. The disregard of such repercussions prevents the framing of a structure of taxation designed to maximize its desired and minimize its undesired effects.

Even if the growth of productivity and of income were a function of investment, the relationship can operate only after a time lag (which depends largely on the period of the construction of the real capital and on its length of life) during which the higher stock of capital has increased the productivity of resources compared to what it would have been otherwise. It clearly cannot operate simultaneously with the investment.¹⁷

¹⁷ We are dealing here with increased productivity of resources resulting from diversion of expenditure from consumption to investment. Quite different considerations apply in conditions of general unemployment of resources, when the national income may be increased by the injection of additional purchasing power into the system to activate otherwise idle skilled and unskilled labor, machines and land.

Yet the Indian planning literature suggests that investment brings about a simultaneous increase in productivity and in total income in proportions indicated by the capital-output ratio, which is quite inadmissible.

The Capital-Output Ratio in Planning

Indian economic planning rests very heavily on the concept of the capital-output ratio, especially on the incremental capital-output ratio, that is the ratio of investment expenditure to the increase in income within a period. These concepts figure prominently in the Second Plan and its literature. The volume of investment expenditure in the Second Plan was determined by applying a capital-output ratio of 2.3 to the desired and planned increase in the national income. This figure was estimated in part from the estimated increase in the Indian national income during the First Five-Year Plan and the investment expenditure in the same period, and in part from similar statistics for some other countries, primarily the Soviet Union.

As already noted, this approach reflects a naive confusion of an historical and a functional relationship, which is especially obvious in the suggestion of an increase in income resulting from simultaneous investment expenditure. Moreover, there are various conceptual and statistical problems of measuring capital and income which make the capital-output ratio a largely arbitrary figure, especially in countries where subsistence production is still important. In any event, a capital-output ratio for a past period or for another country is irrelevant to the current position in a different country with widely different institutions, factor availabilities, technical conditions and population density and growth. The numerical value of the capital-output ratio in an economy as a whole depends largely on the composition of the output and, at any given time, also on various chance factors. Any fortuitous increase in total output, say as a result of favorable weather, brings about a large fall in the capital-output ratio over the relevant period.

Finally, the capital-output ratio does not measure the

productivity of capital and it does not provide a guide for choosing between different lines of investment. It takes no account of the extent of the market for the product (i.e., it disregards the demand for it), nor of the length of life of different types of physical capital, nor of relative factor prices, nor of the relative importance of different types of cost (notably overhead and variable costs).¹⁸

The contemporary idea that development depends essentially on investment is responsible for enormous waste throughout the underdeveloped world. By justifying spuriously all expenditure termed investment, it has encouraged spending regardless both of cost in terms of alternative uses of resources, and of the repercussion of their transfer. Indeed, in current parlance all expenditure of money other than on current consumption or current government services, has come to be termed investment regardless of its productivity or usefulness. This obviously encourages wasteful expenditure. But perhaps more important is the resulting neglect of other factors (that is other than investment expenditure) affecting development, such as the expansion in the supply of complementary resources, that is resources other than capital, the establishment of suitable institutional arrangements, the advance of technical knowledge, the widening of interregional contacts, and especially the emergence of appropriate economic qualities and attitudes. In the promotion of many of these influences government action is indispensable. The constant emphasis on investment leads to a disregard of these influences. More especially it leads to overemphasis on investment in physical plant and the neglect of the development of human capital, both by formal education and by the modification of traditional attitudes which restrict the activities and energies of people.

¹⁸ The inappropriateness of the official Indian reliance on the crude capital-output ratio as an instrument of planning has been recognized by some strong supporters of planned development. For instance, there are pertinent criticisms in certain of the *Second Plan Papers*, notably in a paper by P. R. Brahmananda, *Capital-Output Ratio in Economic Planning*.

Any functional relationship between investment and the growth of income depends greatly on the composition of the investment and also on the institutions and attitudes of the society. This should be obvious in India, with its custom-bound rural population of hundreds of millions, its scores of millions of untouchables, and tens of millions of privileged, unproductive cattle. In India even more than elsewhere it is inappropriate and wasteful to think in terms of capital-output ratios, or to concentrate largely on massive investment in heavy industries.

Industrial Policy and Economic Development

In India, as in many other underdeveloped countries, vocal demands for government-sponsored industrialization as a key to economic development and to higher living standards have been prominent in economic discussions for some decades. Although there were distinct echoes of these demands in the First Plan, that Plan recognized that in India substantial development of agriculture was a precondition of viable industrial development. The Second Plan, however, shifted the emphasis to industrial development, and overwhelmingly to the development of the production of capital goods.

In the words of the *Second Five-Year Plan*:

The second five year Plan is in one sense a continuation of the developmental effort commenced in the first plan; but there is inevitably a shift in priorities with a larger accent on industrialisation, especially the development of heavy industry, and the necessary ancillaries, like transport.¹⁹

The emphasis was reflected in the allocation of public development outlay which for industry was projected at four times the development outlay on agriculture and animal husbandry together, a remarkable allocation of priorities in a country in which about two-thirds of the occupied population is in agriculture and ancillary activities, and only about one-tenth in industry.

¹⁹ The reference is to the transport required by the newly-created industrial establishments, especially in heavy industry, not to the general development of communications.

Most of the arguments advanced in India for government-sponsored or operated industrialization are familiar. There is the well-known suggestion that the relatively higher degree of industrialization of developed countries is evidence of the higher productivity of manufacturing. This suggestion mistakes a symptom for a cause, since usually both the higher level of development and the presence of manufacturing industry result from the possession of valuable resources (including skill and experience), and the former are not simply the result of the latter. In developed countries there are also more dentists or television sets than in underdeveloped countries, but it has not yet been suggested that development could be promoted by increasing their number. Nor are prosperity and industrialization always closely related. There are many highly developed and rich agricultural areas in North America, Scandinavia, Western Europe and Australasia; and some of the most prosperous areas of Asia, notably Malaya, depend on a successful cash crop. Conversely, there are many comparatively poor industrialized areas, including Hong Kong, Italy and, indeed, parts of India and Pakistan. Moreover, all advanced industrialized countries were already relatively very prosperous while still agricultural; they had far higher incomes than those envisaged for India for decades ahead.

Another widely canvassed argument for government-sponsored industrialization derives from the need to provide additional employment opportunities in view of the population pressure on land and the rural unemployment; and it is suggested that the development of manufacturing industry is necessary to provide additional employment opportunities. But it is not at all certain, or even probable, that expenditure on subsidized industrialization provides more employment than expenditure on the development of agriculture or the improvement of communications. Much of the land surface of India at present uncultivated can be made cultivable with capital expenditure, and it begs the question to suggest that the cure of underemployment requires sponsored industrialization.

Manufacturing is, of course, simply one form of economic activity, and there is no general reason why a particular volume of expenditure in this direction rather than in some other direction should represent the most economic deployment of resources. Indeed, the necessity for large-scale government assistance suggests the contrary, as it implies subsidization at the expense of other activities. Much of the discussion in this sphere is confused because it considers the development of the subsidized activity as an equivalent addition to resources, activity and employment, and thus it ignores the transfer of resources implied in the process from other directions, and thus ignores the cost of the program. The resources may, in fact, be transferred from directions where their contribution to output may have been greater. In any case the process cannot be rationally conceived or assessed without recognition that a transfer of resources is involved. So far from government-assisted industrialization representing a rise in living standards or from being its principal or necessary instrument, it is more likely to retard such a rise. Yet government-assisted industrialization is often used interchangeably with a rise in living standards, which is plainly unjustified.

If viable industry is to emerge in India on a scale to make an impact on general living standards, agricultural production must first increase greatly to provide a food surplus for the industrial population and a market for the output of industry, and to contribute substantially to government revenues for the financing of essential services. And the development of agriculture in turn again postulates official action in the sphere of education, improvement of communications, and the promotion of changed attitudes. Government-sponsored or operated industrialization before effecting these changes puts the cart before the horse in an expensive manner. And this applies especially to large-scale development of heavy industry unrelated both to the development of agriculture and to the production of consumer goods.

The proposed role of government and of the private sector in the development of industry was outlined in the Industrial

Policy Resolution of the Government of India issued in 1956 and published together with the Second Plan, of which it is an integral part. For the purpose of defining the spheres of the public and private sectors, the Resolution classifies industrial activity outside the subsistence sector into three categories:

In the first category will be industries the future development of which will be the exclusive responsibility of the State. The second category will consist of industries, which will be progressively State-owned and in which the State will therefore generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effort of the State. The third category will include all the remaining industries, and their future development will, in general, be left to the initiative and enterprise of the private sector.²⁰

The first category includes the bulk of heavy industry and mining, the processing of minerals, most heavy machinery and equipment, shipbuilding, the manufacture of telephones and much of electrical equipment, the production of defense equipment, of aircraft and the operation of air and rail transport. The second category includes most of machinery and equipment outside the first category, most types of heavy and fine chemicals, and road and sea transport.

The Industrial Policy Resolution also stated explicitly that government had the right to establish any kind of industrial enterprise; that as far as possible the private sector should be in the hands of cooperative societies, and that state trading would be undertaken on an increasing scale.

As a corollary of reserving a large (and increasing) sector of the economy for the Government, private enterprise and investment, both Indian and foreign, are banned from a wide range of industrial and commercial activity. These restrictions and barriers affect not only private Indian investment, but also the entry of foreign capital, enterprise and skill, which inevitably retards economic development. Such measures are thus paradoxical in view of the alleged emphasis on economic advance.

²⁰ *Second Plan Papers*, pp. 45-46.

The Core of the Plan

Massive emphasis on investment in heavy industry is the distinctive feature of the Second Plan. Of total investment in organized industry (that is, outside cottage industry) under the Second Plan, six-sevenths was to be for the establishment of capacity for the production of capital goods; excluding expenditure on power and transport directly related to the heavy industry program.

The priority is clearly stated in the *Second Five-Year Plan*:

The expansion of the iron and steel industry has obviously the highest priority since, more than any other industrial product, the levels of production in these materials determine the tempo of progress of the economy as a whole.

. . . Heavy engineering industries are a natural corollary of iron and steel works. The high priority accorded to them arises both on this account and from the fact that they will provide from within the country a wide range of industrial machinery and capital equipment, such as locomotives for railways and power plants for the generation of electricity. In the absence of facilities for their manufacture, a developing economy has to depend on foreign sources of supply with attendant difficulties and uncertainties. To facilitate the production of a wide range of items going into the manufacture of plants intended to turn out a product like steel, diverse types of fabricating facilities have to be created in a large number of establishments. In other words, heavy engineering industries and workshops in the country have to be generally strengthened for undertaking such tasks as the construction of steel plants, fertilizer factories, etc. In this context the creation of basic facilities such as the establishment of heavy foundries, forges and structural shops is absolutely necessary. It is, therefore, proposed that the establishment of these facilities, which constitute an essential and primary phase of development for the manufacture of heavy industrial machinery in the country, should be undertaken at an early date. These developments have a priority second only to that of expansion of the steel industry.²¹

It will be noted that neither demand nor cost is mentioned here.

²¹ *Ibid.*, p. 394.

Investment in the consumer goods industries was to be negligible. Public outlay on the heavy industries was to be several times larger than development expenditure on agriculture, or on roads or on education. This emphasis is very different both from that in the First Plan and from the emphasis of earlier discussions on industrialization.

In accordance with government policy outlined in the Industrial Policy Resolution, most of the investment in the capital goods industries is in government-owned enterprises, over three-fifths of the heavy industry program as a whole, and over three-quarters of the investment in steel capacity are in government-owned capacity.

In 1958 the Planning Commission of the Government found it necessary to review the Plan in view both of the foreign exchange crisis and the disclosed underestimate of the cost of several major projects, especially the heavy industry program. The cost of the three government steel plants exceeded estimates by one-half. It was decided to increase the outlay on the heavy industry program sufficiently to secure the attainment of the physical targets in this sphere, especially the completion of the three steel plants. This was said to be in accordance with the primary objective of the Plan, namely the development of heavy industry.²²

In the revised Plan the outlay on the heavy industry program was to be raised sharply, and that in other directions re-

²² *Appraisal and Prospects* states, p. 60, "The expansion of basic industries like iron and steel, heavy engineering and machine building and heavy chemicals including nitrogenous fertilizers has been given the highest priority in the industrial programme for the Second Plan. Thus the development of capital and producer goods industries accounts for over 80 percent of the total investment on industries in the Second Plan." It is not stated why, or in what sense, heavy industry is basic rather than, say, agriculture, transport, or other industrial activity.

duced correspondingly.²³ The heavy industry program was now officially designated as the core of the Plan; and government expenditure, foreign exchange resources, and external assistance were all to be mobilized towards its completion.

According to Appraisal and Prospects

. . . it became necessary early in 1957 to define strict priorities among projects requiring foreign exchange so as to ensure the implementation of certain essential projects which could be regarded as constituting the "core" of the Plan.²⁴ The projects included in the "core" are the steel plants and the coal and lignite programmes both in the public and private sectors, the programmes of the railways and major ports, and certain selected power projects over and above those already covered by foreign aid (p. 85).

The higher costs of the core projects required cuts in other directions. The core projects are almost all in the public sector. Investment in private industry, apart from cottage industry, was to be confined very largely to a few projects related to the core projects in the public sector. Imports of consumer goods, apart from food were to be practically eliminated.

The agricultural targets of the Second Plan are modest compared to the targets set for the expansion of industrial capacity, especially of heavy industry. Actual agricultural output has, however, generally remained below the targets. In the words of *India's Food Crisis*

The Second Five Year Plan set a target of 80.5 million tons of food grains by 1960-61. But the annual crop returns are less than the target rates. The Report of the Foodgrains Enquiry Committee in 1957 summarized the prospects of reaching the target:

²³ The revised allocations were presented in two forms, one on the assumption that the total of Plan outlay in the public sector would remain unchanged at about 10 billion dollars during the Plan as a whole, and the other that there would be a 5 percent reduction.

²⁴ "Early in 1957" was less than one year after the inception of the Second Plan, which began in April 1956.

"Most of the State Governments told us that not more than 60 per cent of the revised targets under the Second Plan will actually be achieved." (p. 11)

According to the official estimates, output of food grains has never yet reached 70 million tons a year, and in 1957-58 (the latest year for which the information is available) it was 62 million tons. Yet agriculture is not included in the core of the Plan.

A few simple figures will help to put into perspective the priorities implicit in the Plan. After the revision in 1958, the cost of the heavy industry program in the public sector was to be about three-and-a-half to four times the size of development outlay on agriculture, about three times that on the development of education, about eight times that on the development of elementary education and about four times that on roads.²⁵ The total development expenditure on elementary education for the whole Plan period is about 180 million dollars, which is about one-half of the cost of one of the steel plants. It is actually less than the expenditure under this heading in the First Five-Year Plan, in spite of the rise in prices over the two Plan periods, and the approximate doubling of total Plan outlay. It will be remembered that there are not even rudimentary schools for most of the children, and that about four-fifths of the adult population are illiterate. Famine is, and will remain, a recurrent threat in India until agricultural production is greatly increased.²⁶

²⁵ These proportions are based on the anticipated outlays for the whole of the Second Five-Year Plan after the revision of 1958. However, in the first two years of the Plan the actual outlays on agriculture, education and roads were generally below the estimates, so that the preponderance of heavy industry in actual past and prospective expenditure is even greater than the figures in the text indicate. The statistics used here are from *Appraisal and Prospects*, especially pp. 28-29. Most of the figures here are presented as proportions which reflect priorities more conveniently than do absolute figures.

²⁶ Following the examples of the Plan literature, the figures in the text are those of the outlay under the Plan, and thus exclude recurrent expenditure on education included in the budgets but not specified in the Plan. But the Second Plan outlay on industry in the public

Economic Implications of the Plan Priorities

The massive investment in heavy industry is almost certain to be very wasteful. The program ignores the actual or prospective demand for the products of the new industrial capacity erected at such great cost. This obviously is a pertinent consideration, more especially because important branches of the consumer goods industries in India have for a variety of reasons for years been working far below capacity. Yet it is largely these industries, and the impoverished agricultural sector, which will ultimately have to provide the domestic market for the products of heavy industry.

The under-utilization of capacity is the result of a combination of factors. These include the extremely low productivity of agriculture and its consequent failure to provide a market for industrial output; the high costs of production in many industries, which reflect in part the promotion of capital-intensive or complex industrial activities at one extreme (especially various types of heavy machinery and equipment), and of technically and economically inefficient cottage industry at the other; and the failure to secure imported supplies for some industries. The Plan, however, neglects agriculture, roads and education, subsidizes high-cost cottage industry, and throttles private investment in some branches of secondary industry where in the absence of restrictions there would be an extension of capacity. In these ways the Plan restricts further the growth of the market for the capacity in heavy industries which it establishes.

sector is more than the total of all categories of recurrent and capital expenditure on education during the First Plan (1951-56). The corresponding figure for the Second Plan is, of course, not yet available, but the broad picture is not likely to be different, i.e., public expenditure on industry is likely to exceed all expenditure on education; it will certainly exceed several times the development expenditure on education.

The sustained under-utilization of capacity in many important branches of Indian manufacturing industry has been reviewed in two memoranda published in the *Second Plan Papers*.²⁷ *The New India* also notes (p. 10) the under-capacity working of Indian industry (though the date is not specified), and yet applauds the large-scale extension of heavy industries. These industries are referred to in that volume as nation-building or basic industries, and the Government is commended for promoting them in contrast to the activities of private citizens: "with a few notable exceptions, the wealth of the fractionally small class of the rich was usually put into land, into conspicuous spending and leisure, into speculative and high-profit-making enterprises, into manufacture of consumer goods, rather than into basic industries." (p. 11). In other words, it is regarded reprehensible to produce commodities for which there is a demand.

Exports may eventually provide some market for some of the output. But this is unlikely to be a major factor. A large part of the heavy industry program is in capital-intensive activities or in activities requiring a large measure of advanced techniques and skills; this makes it unlikely that India enjoys international competitive advantages in such markets. The need for heavy government subsidization of these activities strengthens the presumption.

A government can always try to validate an investment by buying the output, stopping competitive sources of supply, restricting other channels of expenditure, or by subsidizing exports. These possibilities do not, however, upset the argument.

The heavy industry program is highly capital intensive. It requires many times more capital per worker employed than do

²⁷ Professor C. N. Vakil, *Indian Industries Installed Capacity and Present Production Levels*; and The Economic Division of the Planning Commission, *Installed Capacity and its Utilization in Indian Industries*.

other principal branches of organized industry; and capital is a very scarce resource in India relative to labor.²⁸

The unstinted and unqualified praise accorded to the Second Plan by *The New India* (which is a joint publication of the Government of India and the Ford Foundation) is difficult to reconcile with the argument of *India's Food Crisis* (sponsored by the same foundation and published by the Government of India), since the overwhelming emphasis of the Second Plan is on the development of heavy industry regardless of cost, and that of *India's Food Crisis* on the urgency of giving top priority to agriculture because of the critical food situation.

The implications of the Plan priorities have been noted by some Indian economists. For instance, in a memorandum published in the *Second Plan Papers*, Professor Vakil of Bombay University emphasized the wasteful nature of the heavy industry program when, in view of the low agricultural productivity and the existing excess capacity in industry, no market can be expected for the output; another paper, by Professor Vakil and Dr. Brahmananda explicitly noted that the investment pattern of the Plan was obviously modeled on Soviet planning.²⁹ Vakil and Brahmananda emphasized the far-reaching political implications of the use of the Soviet model; and they noted also that the composition of available resources was quite different in the Soviet Union and India, especially in the relatively greater abundance of land in the

²⁸ In the words of the mimeographed draft outline of the Third Plan (p. 3):

"Investment per worker may be taken as Rs. 250,000 for power; Rs. 80,000 in capital intensive industries (such as steel, fertilizers, intermediates for drugs and dyes, machine building, heavy electricals); Rs. 15,000 for mining (including oil) and for large scale, less capital intensive, producer and consumer goods. Investment per worker is only Rs. 3,000 in reasonably productive small scale industries."

This document is referred to in Chapter IV.

²⁹ C. N. Vakil, *op. cit.*; and C. N. Vakil and P. R. Brahmananda, *Institutional Implications of a Bolder Plan*, in *Second Plan Papers*.

former. They also pointed out that when economic planning in the Soviet Union got under way, there was already a sizable agricultural surplus, and the task facing the planners was the diversion of this to the towns and industrial centers, while in India the surplus is extremely small. This is a very important and relevant difference between the Soviet Union and India, which is very generally ignored both in India and abroad.³⁰ And indeed the paradoxical nature of the program in these conditions was trenchantly underlined in the first two years of the Plan, when much foreign exchange and foreign assistance was expended on imports of food on a large and unexpected scale.

Professor Vakil and Dr. Brahmananda argued that on social, political and economic grounds it would be preferable to develop agricultural productivity, the manufacture of consumer goods and the manufacture of cheap equipment for agriculture and the consumer goods industries, following in this more nearly the Japanese example. In Indian conditions this implies in the industrial sphere the development of small or medium-scale factory production, rather than either the massive development of large-scale heavy industry, or the subsidization of cottage industry.

The Plan outlay in agriculture, or in directions related to agriculture, also reflects an approach similar to that displayed in the massive emphasis on heavy industry; it tends to emphasize spectacular large-scale schemes essentially established and controlled by government. But multipurpose river schemes or the establishment of tractor-stations are of little use to the peasant whose standard equipment is a wooden plow, who uses practically no fertilizers, and who has little protection against pests.³¹

³⁰ Both Indian and British economists have thus noted explicitly that the emphasis of the Second Plan has been largely borrowed from the Soviet Union. There are only two countries the experience of which is discussed at length in the *Second Plan Papers*, one is Communist China and the other is the Soviet Union.

³¹ The poor return on much of the agricultural investment has been noted in various official Indian publications, including *Appraisal and Prospects* (p. 39): "The review of agricultural production during

It was the very high cost of the heavy industry program coupled with the determination of the Government to carry it through at all costs, which necessitated the large-scale deficit financing and thus led to the foreign exchange crisis in 1958 and to the very severe restriction on the imports of consumer goods, including the virtual elimination of certain important categories. This result of the emphasis on heavy industry implies obvious hardship. Moreover, such measures necessarily affect entire categories of commodities and they cannot be adjusted to allow for the circumstances and conditions of particular areas, enterprises and individuals, which aggravates the waste.

The following example illustrates this point. In the summer of 1958 the official photographer attached to the State Tourist Bureau in Orissa State, in which are located some of the most famous and remarkable South Indian temples (which are a great tourist attraction) was unable to supply visitors with even a single photograph of these buildings as he had no photographic paper left, in spite of the obvious propaganda value of such photographs, recognized in fact by his attachment to the Tourist Bureau.

By restricting or even eliminating the supply of important categories of consumer goods, the incentive of peasants to produce for the market has been reduced. In this way, too, the implementation of the Plan impedes the growth of the domestic market on which the economic success of the Plan itself ultimately must depend.

At the same time the preoccupation with investment, especially in heavy industry, has resulted in the neglect of government functions essential to Indian development. We have noted the very small expenditure on education, especially on elementary education, and also the neglect of roads. The very small expenditure for the period 1949-50 to 1956-57 placed before the [Government National Development] Council showed that the results had been highly uneven as between States and that in several cases they did not reflect adequately the large outlays incurred during recent years on agricultural production programmes."

penditure on education affects not only the volume, but also its quality. About one-third of the elementary school teachers are completely untrained and school teachers as a class have very low incomes and status. Desperate measures are proposed by the Government to economize on educational facilities. For example, the Second Plan suggests that, for reasons of economy, wherever possible schools should be held in the open air, or in buildings normally used for other purposes, such as temples or barns. These criticisms of the priorities of the Plan, and especially of the neglect of education, are not intended as advocacy of an immediate massive drive for general literacy, nor as a suggestion that illiterate people cannot recognize economic opportunities or take advantage of them; nor are they intended to suggest that large-scale and sustained expansion of education is either possible or desirable without increase in the productivity of the economy, especially of agriculture. Uneducated populations have often made rapid economic progress. But the priorities of the Plan are not calculated to increase the productivity of the economy; and in India educational progress would help to break down social attitudes which both restrict people's opportunities and retard material advance.

In relation to requirements the outlay on roads is also very small. The road system is inadequate in extent and quality, and its improvement is urgently necessary for the widening of human contacts of hundreds of millions of villagers and for the extension of the exchange economy.³²

³² The roads are very bad, even near the big cities, while in the rural areas they are much worse or nonexistent. In 1958 tourists intending to visit the famous caves and temples at Ajunta and Ellora in Bombay State, tourist attractions of outstanding interest, were unable to go there for several months because of a minor breach of the only motorable road, with resulting loss to India of invisible export earnings. At the same time a large quantity of heavy equipment for the government steel plant at Rourkela was marooned for weeks on end in Calcutta as there were no facilities for handling such heavy cargo. Its eventual dispatch to destination required the use of special equipment and much unexpected expenditure.

The backwardness or even absence of educational facilities and the very poor road system preserve attitudes and customs harmful to material advance, retard the development of people's minds and the establishment of wider social contacts. The modest governmental effort under the Plan on the development of education and the improvement and extension of the road system shows the official lack of interest in these matters, which are fundamental to development, vital for improving the quality of living, and in which advance is not possible without carefully-conceived and implemented government action on a large scale in the aggregate.

Although in general the Second Plan is obviously much influenced by the Soviet Plans, the comparative neglect of education is an important relevant difference additional to the existence at the inception of Soviet planning of a sizable agricultural surplus in the Soviet Union. Soviet planning paid far greater attention to education than Indian planning (as shown, for instance, by the relatively greater share of education in the national income and in government expenditure) in spite of the fact that when it began, the literacy rate in the Soviet Union was already far higher than it is in India.

All of these are only particular aspects of the general paradox of a massive heavy industry investment program in Indian conditions of mass illiteracy, general economic and social backwardness, precarious subsistence agriculture, and narrow markets. In view of these policies and priorities it is somewhat startling to read in *The New India*:

India has deliberately chosen the democratic process, and put above all other considerations the development of the individual.
(p. 163)

Official Explanation of the Priorities

The official explanations of the overwhelming emphasis on heavy industry are in terms of the necessity to develop the in-

dustrial base of the economy, and to promote economic independence. These explanations, which will also be found in the passages from the Second Plan already quoted,³³ are expressed trenchantly in Professor Mahalanobis' *Draft Plan Frame*:

In the long run, the rate of industrialisation and the growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy machinery, heavy chemicals, and the heavy industries generally which would increase the capacity for capital formation. One important aim is to make India independent, as quickly as possible, of foreign imports of producer goods so that the accumulation of capital would not be hampered by difficulties in securing supplies of essential consumer goods from other countries. The heavy industries must, therefore, be expanded with all possible speed.³⁴

Yet in no meaningful sense is the prior development locally of a capital goods industry necessary either for material prosperity, or for the subsequent development of manufacturing industry itself. This is clear both on general grounds, and also from ample empirical evidence from the experience and position of many developed and underdeveloped countries, including that of Japan, in the rapid industrialization of which consumer goods industries and the production of small-scale equipment were in the forefront.

Again, no precise meaning can be attached to the suggestion that development of heavy industry is necessary for the promotion of economic independence. The latter term may refer to the desirability of establishing a closed system, i.e., an economy with the minimum external contacts, such as the economies of the Soviet countries. But even if this is the aim, over the next few years the program may still increase dependence on imports by retarding the development of agriculture, and thus increase the dependence on imported food, especially in view of the de-

³³ *Second Plan Papers*, pp. 45-46.

³⁴ *Ibid*, p. 43.

pendence of the Indian harvest and of the slender food resources of the country on the vagaries of the weather.³⁵

The official rationalization of the heavy industry program certainly does not account for this paradoxical deployment of resources. It will be shown in Chapter V, that while it is inexplicable in terms of such aims as economic development or the raising of living standards, it becomes readily explicable in terms of other, primarily political, aims.

³⁵ The authorities may decide not to budget for imports of food even in a bad harvest, in the hope of external assistance, or by simply disregarding the requirements of the population. These possibilities are considered in Chapter VI.

III. THE SECOND PLAN: COOPERATION, LAND REFORM AND COTTAGE INDUSTRY

Cooperatives under the Plan

IN OFFICIAL Indian publications the cooperative movement and cottage industries are treated as part of the private sector. However, as they operate primarily under government auspices they are more appropriately regarded as functioning in the public sector.¹

Unlike the cooperative societies of the West, such as the farm cooperatives of North America or the British consumer cooperative movement, the Indian cooperatives, which are largely engaged in the supply of credit and of marketing and warehousing facilities, are mainly government-administered and financed. There is a government department of cooperation in every state, headed by a Registrar of Cooperative Societies who, together with his staff, supervises and controls and in a large measure administers the affairs of the various cooperative societies and unions.

The Government subsidizes the cooperative movement in various ways, notably through the provision of capital through credit societies and cooperative banks, direct financial assistance for various marketing and supply cooperatives, loan of government officers financed from general revenue, and the training of the staffs of cooperative societies. The Plan allocates approximately 100 million dollars for assistance to the cooperative movement, but this is only a small part of the assistance extended to it. The cooperatives are essentially extensions of government departments, rather than independent organizations. Government sponsorship or support of the cooperatives in India originated

¹ In the unpublished papers by some of the foreign economists who prepared working papers for the Second Plan at the Indian Statistical Institute in 1954-55, the cooperatives are generally and properly regarded as part of the socialized sector of the economy. Further reference is made to these papers in Chapter V.

during the British administration, but has been greatly intensified in recent years, especially in the Second Plan.

With negligible exceptions the activities of the Indian cooperatives are in fields in which private organizations and firms also operate. The Plan literature regards the promotion of the co-operative movement as axiomatically desirable, as a matter on which there is general agreement. It also, quite inappropriately, considers cooperative activity as belonging to the private sector, emphasizing that as far as possible, the private sector should be organized through cooperatives. In the words of the Industrial Policy Resolution: "The principle of co-operation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along co-operative lines."²

The case for large-scale official assistance to the cooperatives is not obvious. Cooperation is simply a form of economic organization. There is no inherent merit in this form of supplying credit or marketing facilities rather than by private firms or openly by government departments. In the absence of government support, the value set by their customers on the services offered by cooperatives of the Indian type will be revealed by their success or failure in making ends meet. In fact, the necessity for massive government support, that is for subsidization at the expense of the rest of the economy, suggests that the cost of their services exceeds their value to their customer members. The uneconomic nature of the operations of the Indian cooperatives is well known to students of the Indian agricultural scene, and it is occasionally mentioned in the official literature which also recognizes that the movement will have to continue to be supported by Government (i.e., by the rest of the economy) in the foreseeable future.

Three possible objections may be usefully forestalled at this time. First, it is often suggested that in India development of cooperative credit societies is valuable as it serves to reduce the very high rates of interest in rural areas, which are said to reflect

² *Second Five-Year Plan*, p. 45.

the difficulty of assessing the trustworthiness of borrowers and also the monopoly position of the lenders, both of which can be overcome by village cooperatives. In fact, the position of individual farmers is known also to village moneylenders and banks who, moreover, do not generally have a monopoly in any meaningful sense of the term. The high rates of interest reflect the scarcity of capital, high administrative costs on small loans, and the risk of default. Rates of interest can, of course, be reduced by increasing the supply of capital in rural areas by diverting it from other uses, which is what is implied in the government provision of capital to cooperatives.

Second, it is suggested that state assistance is required to enable cooperatives to overcome early difficulties before they become viable. All evidence is to the contrary in India, and underdeveloped countries generally, where after years or decades of assistance the cooperatives are more dependent than ever on government support. Moreover, this particular type of argument could be advanced in support of official sponsorship of any form of economic organization, and is in no way peculiar to cooperation.

Third, it is sometimes suggested that the external economies yielded by banking and similar activities present a case for the establishment of state or state-supported organizations such as government subsidies or organized cooperative societies. But the establishment of such organizations implies a transfer of resources and a corresponding diminution of activity and of external economies elsewhere. Their establishment would promote economy of resources and growth only if they yielded goods and services and external economies exceeding in value those lost through the contraction elsewhere. Government-sponsored and subsidized cooperative societies are unlikely to fulfill these conditions; and of course, the argument is in no way peculiar to cooperatives, but would apply to any form of economic organization. This type of argument treats the officially sponsored activities as straightforward additions to total economic activity without considering the transfer of resources (including often the transfer of resources

from such essential governmental tasks as education or the development of communications), that is, it simply ignores the cost of these activities in terms of the alternative use of resources.

These considerations should be remembered when assessing statements urging the imperative need to promote cooperation, statements of which the following is an example. "*Co-operative effort is required to break the strangling grip of the money lender and traders on the marketing, supply and credit functions in the villages. Central and State participation is necessary in the form of loan advances to supplement the share capital of the primary societies, loans and subsidies for the construction of required godowns and other physical structures, and staff services for education and managerial assistance during the early stages.*"³ (Italics in the original.)

Land Reform and the Pooling of Land

Land reform figures prominently in the Second Plan as a series of measures designed to bring about a suitable institutional structure for its main purposes. The land reform measures of recent years have been directed mainly at the abolition of landlords and intermediaries (that is recipients of rents and subrents between the ultimate landlord and the tenant), the scaling down of rents, the imposition of maximum rents, and also the prescription of a maximum size of holdings. These measures are advocated and explained chiefly on the grounds that landowners and intermediaries were often, or even generally, functionless; that the payment of rent and similar payments were often a legacy of irrelevant past events, such as hereditary indebtedness or of the transformation of tax-farmers into landlords; that the heavy rents discourage or even disable the tenant to effect much needed im-

³ *India's Food Crisis*, p. 71. This is one of many similar statements in that publication, which it will be remembered, embodies the findings of an expert team sponsored by the Ford Foundation and which was issued by the Government of India.

provement of his holding; and that income and property should be redistributed in favor of the poorer classes.⁴

The land reform measures have transferred some income and property from landowners to tenants, or even to laborers, but they have not substantially affected agricultural poverty, or its causes which lie in rural overcrowding, backward methods of cultivation, and the adverse social environment. Some of these measures indeed affect adversely agricultural productivity, and thus aggravate rural poverty rather than relieve it. This applies, for instance, to the imposition of ceilings on the ownership of agricultural holdings, which is bound to reduce investment in land, especially by the urban population. This effect is reinforced by several factors, including the hostility to absentee landlords; the discrimination against them in the application of land reform measures generally (notably in the prescription of the maximum size of holdings landowners are allowed to retain, which is much less for absentee landlords than for cultivating landlords); the general uncertainty created by the partial expropriation of landowners; and the protracted argumentation about the meaning of cultivating (as distinct from absentee) ownership, including disputes on the amount of effort, work, and risk-bearing to be exercised by individuals or families which would entitle them to be classified as cultivating, as distinct from absentee owners. All these retard investment in land, especially by enterprising people from outside rural society, which is urgently required.

⁴ Most of these arguments are misleading, irrelevant, or both. Many, though by no means all, landowners and intermediaries are functionless in that they do not themselves manage or improve their properties. This, however, is generally a feature of the separation of ownership and management of assets, and applies equally to stockholders, bondholders, or owners of urban real estate. Redistribution of income and property is irrelevant to these proposals since these inequalities are not directly related to proprietary rights in land. Many of the landowners who have been expropriated are much less well off, not only than businessmen or owners of urban property, but less well off also than executives, professional men and civil servants.

The land reform measures are more likely to aggravate than to relieve rural poverty. They are, in fact, a partial confiscation of the properties of a politically unpopular and inarticulate class, whose wealth and income are often far below those who advocate these policies. These measures also both foreshadow and pave the way for expropriation of other forms of property by creating suitable precedents; and they also pave the way for joint cultivation and collectivization of agriculture, both by eliminating a class least amenable to such proposals and also by substituting for them in part people likely to be completely dependent on village councils and state-sponsored cooperatives.

During the last year or two there has been increasing advocacy in India of far-reaching extension of cooperation into agricultural production, through the pooling of agricultural holdings and the management of these units either by village councils or by cooperative societies. The conversion of agriculture into cooperative farming is a frequent theme of influential Ministerial statements (including many recent statements by Mr. Nehru and by Mr. A. P. Jain, the very recently resigned Indian Minister of Food) and of Congress Party resolutions. Such proposals, canvassed by leading government spokesmen including, again, Mr. Nehru and Mr. Jain, figured prominently in the discussions at the latest annual meeting of the Congress Party in January 1959, and were the subject of one of the three principal resolutions carried there. These proposals generally envisage the retention, at least temporarily, by the owners of the pooled holdings of the title to a share of their land, which would, however, be managed by village councils, cooperative societies or their officials.

These proposals are being strongly resisted even within the Congress Party, and much more so outside it. With few and irrelevant exceptions, agricultural production has nowhere lent itself to the cooperative form of organization, and has very rarely been adopted voluntarily by farmers. In Communist countries and in the Communist literature, cooperative farming is a euphemism for collective farming. It is widely and rightly realized and often noted explicitly in India, that the adoption of so-called

cooperative farming would be a distinct and possibly decisive step in the collectivization of land. Mr. Nehru has assured his various critics, for instance, in a speech in the Indian legislature in February 1959, that villagers would not be *compelled* to pool their holdings for joint management. But much indirect pressure can be exercised in India both through the sheer authority of the administration, through such measures as the preferential treatment of cooperatively managed agricultural units in the supply of credit and the allocation of import, trading and transport licenses.

Cottage Industry

Cottage industry, that is domestic industry and handicrafts, is a favored category in the Plan. An outlay of about 400 million dollars from public sources is allotted to it under the Plan, chiefly for the purchase of equipment and the provision of marketing facilities, and the establishing of service and training centers for cottage industry. Another form of assistance is the purchase by the Government through cooperative societies of the output of cottage industry, which is intended partly as a subsidy to cottage industry, and partly as assistance to the cooperative movement. Close contacts are envisaged under the Plan between the cooperative movement and cottage industry through the provision of cooperative credit, and marketing and warehousing services. Government departments also support these activities by assisting in the purchasing of supplies, the administration of production and the disposal of the output.

But the principal method of official support to cottage industry takes the form of a series of restrictions on factory production of commodities competing with cottage industries. These restraints include absolute prohibition of the factory production of certain products, or certain varieties, grades and qualities of products; prohibition of expansion of factory capacity competing with cottage industry; and the imposition of special taxes on factory output. These measures apply to important staple consumer goods, including cotton cloth, clothing, footwear, soap, matches, vegetable oil and milled rice. The ban or restrictions on factory

production, and the taxation of factory products, necessarily raise the prices of the reduced supplies, and injure buyers and would-be buyers of these staple consumer goods. The peasants are the most important category of those harmed. These measures also reduce the incentive to produce agricultural products for sale, especially where they result in the disappearance of important inducement goods, or in appreciable increases in their prices.

The subsidization of cottage industry is officially explained on the ground that it provides employment because of its labor-intensive character. In fact, its heavy subsidization implies transfer of resources from taxpayers and consumers, thereby reducing expenditure in other directions where it would create employment opportunities. The higher costs of cottage industry imply that capital and labor used there is less productive than elsewhere, which in turn means a net reduction in total output, and therefore ultimately in the provision of employment.

This retrogressive policy is designed in part to divert capital equipment and skills toward the heavy industry program of the Government by throttling factory production of consumer goods. The Government also seems to favor the development of a type of production entirely dependent on official support in preference to more independent forms of enterprise.

IV. THE PRIVATE SECTOR UNDER THE PLAN

THERE is still a considerable private sector outside agriculture and its ancillary activities, even apart from the cooperative societies and cottage industry. The private sector, however, is exceedingly closely controlled by the Government, more closely than in most other countries, even underdeveloped countries outside the Communist orbit.¹ These controls are an integral part of the Plan, as set out in the *Second Five-Year Plan* and elsewhere.

Scope of Controls

There are in India specific controls over capital issues, allocation of raw materials, imports, exports, and foreign exchange transactions (with all countries outside India, including those within the Sterling Area). These controls are mostly along familiar lines and are designed to promote certain industries and discourage others. The system of controls reflects both the reaction of the Government to the shortage of resources, notably foreign exchange, which is the result of the overambitious nature of the Plan, and also the intention of the Government to determine the pattern of economic activity.

Some of the effects and implications of these measures are much the same in India as elsewhere. They necessarily retard the development of the controlled industries and the progress of the most efficient units, and both in these industries and in the economy at large they inhibit the most efficient deployment of resources, and also their growth. As they cannot take account of individual differences, specific controls also prevent people from making marginal decisions in accordance with their individual circumstances. In view of the diversity of social and economic conditions in India such measures are, therefore, especially likely to result in economic waste. The restrictions on

¹ Professor Galbraith alleges the opposite. "... India, as I have noted, could scarcely be farther from this goal" (socialist planning). J. K. Galbraith, "Rival Economic Theories in India," *Foreign Affairs*, July 1958, p. 593.

the supply of consumer goods serve also to retard the progress of production for the market by diminishing the inducement to produce for sale.

These measures are usual accompaniments of attempts to repress the effects of inflation, and of the desire to determine officially the pattern of the economy. In India there are other, more drastic, official controls over the private sector, notably those embodied in the Industries Development and Regulation Act (1951, amended 1953 and 1956), and the Essential Commodities Act (1955, amended 1957), and the Supply and Prices of Goods Act, 1950. Under the Industries Development and Regulation Act all substantial industrial enterprises must be registered, and their establishment, extension, change of location, or the production of a new article, are all subject to license at the discretion of the Government. This Act also empowers the Government to prescribe the price, the method and the volume of production, and the channels of distribution. The Act also specifically entitles the Government to prohibit an industrial undertaking from reducing its output or its capacity if it considers the reduction unjustified. The Government can remove the boards of management and replace them by personnel of its own choice, without right of compensation.

The Essential Commodities Act covers all foodstuffs, all principal raw materials, important industrial components, and all iron and steel products. This Act empowers the Government to control, regulate or prohibit the production, distribution, transport, trade, consumption or storage of any of these commodities, and also to prescribe their prices. It specifically provides for the requisition of any essential commodities, for power to prohibit the withholding from sale of any of these commodities, and for the licensing of all those dealing in them.

The powers under the Supply and Prices of Goods Act are similar to those under the Essential Commodities Act. The former Act covers articles in short supply, of which it presents a substantial list (chiefly important industrial raw materials and certain manufactured consumer goods), a list which the Government has the right to extend. Of course, whenever price control is even

partially effective the controlled article comes to be in short supply, in the sense of the demand exceeding supply at the controlled price. Numerous price controls of varying degrees of effectiveness have been introduced under these various enactments. Quite clearly under these powers private firms can exist only on sufferance.²

These drastic powers, and the practically universal licensing requirements for the establishment, extension and modification of industrial establishments and workshops and of trading enterprises, bear especially harshly on medium and small-scale enterprises. These firms are often efficient low-cost producers or distributors but their owners and managers do not understand the legal position, cannot face prolonged disputes, and are easily overawed by authority, so that their establishment and progress are particularly hamstrung by these measures.

Effects of Controls and Taxation

The controls have often served to increase profits of existing enterprises by shielding them from competition. They have protected established firms from competition by new entrants; and they have created controlled sellers' markets with the characteristics of market-sharing arrangements. Indeed, they have strengthened previously existing private market-sharing schemes, or have rendered them unnecessary. Thus they have often been welcome to existing firms. However, even to these firms the benefits have not been unalloyed. Along with the rest of the economy, they are affected adversely by the retardation of economic development. Moreover, the close control of all their activities, including the methods of production, the purchase of raw materials, the disposal of their output, is apt to suggest that the firms are functionless, which lends plausibility for political demands for their expropriation and also facilitates their replacement by state organizations. Businessmen are often gratified

² Mr. Paul Bareau, the Liberal economist, in an address at the Royal Institute of Economic Affairs described these as "powers of life and death over individual enterprises." *International Affairs*, 1957, p. 303.

by controls protecting them from competition, while at the same time these controls serve to prepare the ground for their displacement.

Business enterprises in India have come to be exposed to very heavy taxation. The heavy taxation in part also protects established firms by deterring new entry and obstructing the progress and the accumulation of reserves by the newer firms. But at the same time it removes a large part of any advantages they may derive from the reduced competition. Taxes are by now so high that they bear very harshly on the majority of those established enterprises which do not succeed in evading them. Direct taxation includes personal and corporation income and surtax, and even additional surtaxes at very high rates in the aggregate, excess dividend taxes payable on dividends at over six percent on the paid-up capital (that is excluding accumulated reserves), a special tax on undistributed profits of closely controlled companies (to prevent owners from taking out income in the form of capital gains taxed at lower rates than distributed income), heavy taxes on bonus issues (stock splits) which are in effect taxes on capital, wealth tax (capital tax on both individuals and corporations), a capital gains tax, a gift tax, an expenditure tax, and estate duties.

Detailed review of the taxes is impracticable here because of their diversity and complexity. The rates of taxation on private incomes are among the highest in the world for incomes of 8,000 dollars and over.³ A publication of the Indian National Council for Applied Economic Research summarizes the position. It refers to the taxation of foreign corporations, but it would apply substantially also to that of locally registered enterprises:

Having in mind the importance of the branch form of organization in India, we, therefore, consider it fair to conclude that India's taxation of foreign company investment income is in general the highest in the world. With few exceptions, it is very much higher

³ *The New India*, p. 137.

than that of other countries, both developed and underdeveloped, which are actively seeking to attract private foreign investment.⁴

The exclusion of private enterprise from important spheres of industrial activity, and the high level of taxation, are major deterrents to the inflow of private foreign capital, which has now been reduced to a trickle, and is largely confined to foreign enterprises which for some reason are in a specially privileged position.

The difficulties of securing capital have added to the problems of the private sector in recent years. These difficulties in turn arose in a large measure from the heavy claims of the public sector on the total supply of investible funds. The official estimates of the Plan of the finance available for the private sector were extravagantly optimistic, chiefly because they largely ignored, or at least very greatly underrated, the effects of government investment on the funds available to the private sector.

The inhibiting effects on enterprise of these influences have been enhanced since about 1955 by a number of official statements and speeches to the effect that the extension of the public sector is a general aim of policy, and that public enterprise is more likely to promote general welfare than private industry and commerce, which are concerned with the promotion of selfish aims. It has also been repeatedly stated by government spokesmen that private activity is to be continued only for the time being because for political and administrative reasons it cannot as yet be replaced by government operation, which is the ultimately envisaged norm, in accordance with the avowed aim of the establishment of a socialist society. This suggestion is, for instance, explicit in the Industrial Policy Resolution.⁵ This atmos-

⁴ National Council of Applied Economic Research, *Taxation and Foreign Investment*, Delhi, 1957. The passage refers to the position in 1957, but still applies. Moreover, in reaching this conclusion certain corporation taxes have been deliberately ignored.

⁵ "The State has therefore to assume direct responsibility for the future development of industries over a wider area. Nevertheless, there are limiting factors which make it necessary *at this stage* for the State to define the field in which it will undertake sole responsi-

phere is obviously uncongenial for long-term investment and planning by private enterprise, especially in view of the drastic powers already wielded by the Government under the existing legislation.

A particularly wasteful and retrogressive step has been the prohibition of the movement of goods between states except under license. This measure prevents the movement of food from surplus to deficit areas, restricts markets, enhances shortages, and retards the growth of production for the market. It reverses the process of the widening of the market for agricultural produce, which has been a major instrument of such economic development as has taken place in India over the last half-century.

This prohibition on the movement of goods also obstructs the movement of people and ideas, which is particularly damaging in India. The poorest people, especially the millions in the Scheduled Castes (untouchables), are in many ways worst affected by these various barriers to movement as they particularly need a widening of opportunities. This important adverse effect of official policy on their condition is particularly noteworthy as the improvement of the conditions of the poorest people is supposed to be a major objective of Indian social and economic policy.

The growth of agricultural production for the market is also retarded by the widespread prohibition of the sale of alcoholic liquor which involves the elimination of the supply of particularly effective incentive goods. Prohibition is now in force over large areas of India, and its extension over the whole country is a declared aim of government policy. Prohibition antedates planning, but the implementation of the policy is specifically included in the *Second Five-Year Plan*. The adverse disincentive effects apply particularly strongly to the prohibition of cheap popular alcohol, notably toddy (fermented palm juice). This

bility for further development and to make a selection of industries in the development of which it will play a dominant role." *Second Five-Year Plan*, p. 45; italics added.

aspect of prohibition is never mentioned in the official literature either on planning or on prohibition.⁶

Implications of Labor Legislation

There is a set of measures in India which in its impact is analogous partly to taxation and partly to specific controls. This is the comprehensive labor legislation which provides, among other matters, for minimum wages, maximum hours, compensation to dismissed employees and workers, compulsory arbitration, and profit sharing. This legislation is now regarded as part of planning policy. Minimum wage legislation applies, among other industries, to agriculture, cotton manufacturing, motor transport, rice and oil milling, tanning, and tobacco manufacture. For most of these minimum wage rates are fixed for entire states with populations up to 60 million.

Unless wholly redundant or ineffective, the prescription of minimum wages raises rates above what they would be otherwise, and thus by inflating industrial costs necessarily prejudices the prospects of manufacturing industry. The legislation is effectively enforced in organized industry and commerce, while in agriculture it is largely nominal. The legislation provides for heavy compensation payable to dismissed employees and workers, essentially regardless of the reasons for dismissal, and this also serves both to inflate costs and to retard industrial and technical progress. There are several major Indian industries, notably jute manufacture, where reorganization and re-equipment are necessary and would be economic but for the heavy capital cost of the compensation for dismissals.⁷ These measures are paradoxical in view of the emphasis on industrialization in Indian planning. They

⁶ For instance, it is not mentioned in the *Second Five-Year Plan* or in the *Report of the Prohibition Enquiry Committee*, Government of India, Planning Commission, Delhi, 1955, both of which discuss prohibition at length.

⁷ The Industries (Regulation and Development) Act specifically exempts the Government from liability to pay compensation to personnel dismissed from enterprises taken over by the Government.

reflect the operation of an international emulation effect, which suggests that countries are progressive if they introduce such labor legislation, regardless of its effects on economic development, or on the fate of those who fail to secure employment at the regulated rates.

Managing Agencies

Recent government proposals also envisage the curtailment or abolition of the managing agency system, prominent in Indian economy for decades. Under this system certain companies and firms act as managing agents for a number of other enterprises in different industries. The system lends itself to various abuses (chiefly stemming from the possible discrepancy of interest between proprietors and managing agents), but it has helped to spread scarce administrative and entrepreneurial talent over a wide field, which is otherwise difficult to achieve in a country where markets are narrow. It has also promoted the entry of foreign capital into India and the mobilization of domestic capital. The mobilization of local capital for substantial industrial and commercial enterprises has always been difficult in India. It has become even more so with the heavy taxation, the decline of the Princes and the confiscation of much landed property.

The official explanation for the threatened abolition of the managing agency system is its undesirable effect in promoting concentration of wealth and economic power. The principal managing agency companies and firms, both Indian and British, are indeed rich and powerful, but their activities extend over a large number of industries and their share in particular industries is not usually very large; moreover, exercise of monopoly power would in any case be severely restricted by competition from other firms and the possibility of new entry, unless these are barred by official action. Further, the managing agencies do not represent such economic power as do state organizations which have statutory power behind them, and which are not subject to actual or potential competition. The threatened disappearance

of the managing agents would create a vacuum in certain important sectors, and it is easy to see who is expected to fill it.

Some Government Monopolies

The hopes and the confidence of the private sector have been undermined further in the last three years by the establishment of government monopolies in certain types of commercial activity which are not particularly suitable for public operation, which are not so operated outside the Communist countries, and which the Industrial Policy Resolution of 1956 suggested could be expected to remain in the private sector for the time being. The most important of these are life insurance and wholesale trading.

In 1956 the Government unexpectedly declared life insurance a state monopoly and took over the assets and liabilities of all life insurance companies. India is probably the only non-Communist country where life insurance is a government monopoly. The main reason for this measure was probably the desire of the Government for direct control over the largest single source of investible funds. The introduction of compulsory life insurance for all employees in organized industry and commerce is now widely canvassed as a measure to augment the funds of the Government, i.e., as a form of compulsory saving for public uses.

In 1956 the Government established the State Trading Corporation, originally to promote trade, chiefly with the state-controlled economies of the Communist world. Its sphere of activities was soon increased. It already has a monopoly of the wholesale trade in cement and in the export of the principal Indian ores, and it also trades in a wide range of other commodities, including tobacco, sugar, shoes, textiles, and many others. Thus the State Trading Corporation is already a major force in the general wholesale trade of the country. Very substantial and significant extension of state monopoly in wholesale trading was foreshadowed in an official announcement in November 1958 to the effect that the wholesale trade in food grains would be handed over to the state governments, and that a scheme for this purpose

was being worked out by the Planning Commission and the Ministry of Food and Agriculture.⁸

Although the introduction of state trading has been adopted ostensibly to assist producers and consumers by reducing trading margins, the State Trading Corporation and the government monopoly of wholesale trade in food grains are clearly envisaged as instruments of taxation, and possibly also as general levers for the control of the economy. A mimeographed draft outline of the Third Five-Year Plan which emanates from the Planning Commission already includes profits from the trade in food grains at 1.8 billion dollars to be used to finance that Plan. This suggestion implies that the official monopoly in the trade of food grains would be used as a major instrument of taxation, in much the same way as in the Soviet Union. The sum envisaged substantially exceeds the total of (fiscal) budget surpluses over the whole of the Second Five-Year Plan.⁹

Nationalization of the wholesale trade is also a comparatively simple and convenient way to secure government control over the economy. The wholesaler stands between large numbers of producers and retailers, so that centralized ownership and control of the trade facilitates the control of the activities of much larger numbers of producers, retailers, and hence consumers.¹⁰

⁸ *India News*, official organ of the High Commission of India in the United Kingdom, November 15, 1958.

⁹ It is presumably this form of taxation which Professor D. R. Gadgil had in mind when he referred to the extension of the public sector as a source of resources for the Second Plan in *Policy Decisions in Plan Making in Second Plan Papers*.

¹⁰ This type of measure was widely adopted in the early stages of establishing Communist regimes in Eastern Europe after the Second World War. Some of the foreign economists who visited the Indian Statistical Institute in 1954-55 to help in the preparation of the Second Plan also proposed the socialization of the wholesale trade as a convenient instrument of control over the Indian economy.

V. SOCIALISM AS THE OVERRIDING AIM OF POLICY

Paradoxes of the Second Plan

THE SECOND Five-Year Plan is a glaring paradox, or rather series of paradoxes of which the following is an incomplete list; most of these examples have been noted before, but they bear repetition, especially when brought together. There is the massive expenditure on heavy industry, regardless of cost and of prospective demand for its output, at a rate at least eight times the expenditure on the development of elementary education, when about four-fifths of the population are illiterate; the expenditure on a single steel plant is more than double the development expenditure on elementary education. There is the comparatively small expenditure on agriculture, and the restrictions on the movement of agricultural products, in the face of manifest, urgent and indeed desperate need to increase agricultural productivity and to extend production for the market. There are the severe restrictions, or complete bans on the supply of both imported and even locally produced consumer goods, in the face of the urgent need both to raise living standards, and to provide incentives to agricultural production for the market. There are the restrictions on the extension of efficient industrial capacity and the subsidization of inefficient cottage industry and of cooperative production and distribution, in the face of manifest need to economize on resources and satisfy wants at low costs, and in the face also of official statements on the importance of industrial progress and the raising of living standards. There is the exclusion of private Indian and foreign enterprise and investment from a wide range of industrial and commercial activity, in the face of urgent need to encourage viable economic activity. There is the neglect of roads, the official restrictions on the establishment of road transport enterprises, and on the movement of agricultural products, in the face of the urgent need to widen markets and to facilitate the movement of men, ideas and commodities. There are the severe restrictions on the establishment of all enterprises, in the face of the need to widen opportunities. And these measures and policies

not only affect adversely the standard of living, but also restrict further any economic demand there might be for the output of the capacity created under the heavy industry program.

Socialism, the Overriding Aim

But these paradoxes can be largely resolved if the establishment of a Socialist society is seen as the principal goal of Indian economic planning. This indeed is the most specifically defined objective of Indian economic planning. The resolution of the Indian Congress at its Avadi session in 1955 stated:

Planning should take place with a view to the establishment of a socialistic pattern of society where the principal means of production are under social ownership or control.

This is clearly reiterated in the Industrial Policy Resolution of 1956 which reads:

The state will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake state trading on an increasing scale . . . The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector.

The establishment of socialism as a principal aim of economic policy has been repeated in many major statements of policy by the Government of India since 1955.

It is nevertheless constantly urged in the United States by advocates of large-scale aid to India¹ that these government statements

¹ This incorrect notion has been repeatedly emphasized in American literature on India. For example, the idea that India's public sector is only one half or one third of the American proportion is to be found in Galbraith, *op. cit.*, p. 589; W. W. Lockwood, "The Socialistic Society: India and Japan," *Foreign Affairs*, October 1958, p. 121; W. Malenbaum, "India and China: Contrasts in Development Performance," *American Economic Review*, June 1959, p. 307; and A. G.

do not mean what they so plainly say. In particular it is said that the small proportion of the national income accruing to the Government in the form of taxes, some 10 percent of the total, shows that the Indian economy is far from socialized. But this inference is unwarranted. First, the large proportion of subsistence agriculture and its ancillary activities in the national income vitiates comparisons between the proportion of the national income accruing to the Government in India and other countries; as a proportion of the national income generated in the exchange sector, the proportion in India is far larger than 10 percent. Further, in statistics purporting to measure the public sector the cooperative societies and the government trading organizations are usually included (inappropriately) in the private sector.

But much more important than these statistical considerations are the implications of the extensive, close and direct powers of the Government over the private sector.² Outside the subsistence sector the Government can wellnigh completely determine the composition and direction of economic activity in view of its comprehensive licensing powers over all major economic activities, over imports, exports, currency transactions, capital issues, allocation of materials, and the establishment and extension of all substantial business enterprises, and in view also of its monopoly of key branches of economic activity, and the heavy taxation of the relatively small private sector in the exchange economy. Moreover, the existing legislation also provides for practically

Chandavarkar, "The Public and Private Sectors," *Economic Development and Cultural Change*, April 1959, Part 1, pp. 250-252. Even a textbook, which cites Galbraith as its source, incorporates this incorrect notion. See B. Higgins, *Economic Development*, New York, 1959, p. 723. See also the testimony of Professor W. W. Rostow, *Hearings*, Senate Committee on Foreign Relations, Part 1, February-March 1959, pp. 283-4.

² The extent of government control over the economy cannot be too strongly emphasized, particularly in view of the fact, that several influential American writers have alleged, for example, that "Nothing

absolute, detailed powers over the establishment, conduct and fate of individual enterprises. These matters are not reflected in the statistics of government revenues expressed as percentages of the national income.

These powers, both for the determination of the direction and composition of economic activity and also the conduct of individual enterprises, accord with the explicit and oft-repeated directive of policy, namely to maintain private activity in certain sectors for the time being, but subject it to close control to ensure that it conforms with the intentions of the Government.

In the light of these powers and of the declared methods and objectives of policy, it is rather disingenuous to suggest to United States public opinion that in Indian terminology socialism means simply the raising of the standards of living of the masses; that the main concern of the Indian Government is to raise the status of individuals;³ and that the small percentage of the national income taken in taxation shows that the Indian Government is not Socialist either in method or in intention.⁴

could be farther from the fact" than the idea that "the Indian economy is managed by the government and that New Delhi has in its hands the necessary instruments for such control." J. K. Galbraith, *op. cit.* p. 589.

³ This is a recurrent theme of *The New India*, especially pp. 34-35 and pp. 246-248. It is even stated there that a major influence in Indian planning is "a distrust of concentration of power and wealth in the hands either of the state or of individuals" (p. 34) and "a society in which social justice is secured, India calls today a socialist pattern of society." *Ibid.* We have already noted in Chapter IV, that according to this publication India put the development of the individual above all other considerations.

⁴ This is argued, for instance, in Max F. Millikan and W. W. Rostow, *A Proposal*, New York, 1957, p. 16. Recent instances of this argument include an article by Professor Wilfred Malenbaum, "India and China: Contrasts in Development Performance," *American Economic Review*, June 1959, and an article by Mr. A. G. Chandavarkar, "The Public and Private Sectors," *Economic Development and Cultural Change*, April 1959. Professor Malenbaum writes: "Indian

Mr. Nehru's own published statements on the concept of a Socialist pattern of society are indeed somewhat nebulous. But the actions of the Government, and its major policy statements, make it perfectly clear that it means the attainment of an economy in which all major branches of economic activity are government-owned and operated, and the rest is subject to close and specific direction by the Government.

And there are many readily accessible statements by the most prominent and influential Indian economists acting as advisers to the Government which show their similar interpretation of these concepts. These statements, which are rarely brought to the notice of United States opinion, are of interest in indicating the trend of events, the goals of Indian planning, and the ultimate political purpose of some of its principal measures and component elements. The vagueness of some of the government utterances enhances the interest of these opinions as indicating the direction of the influence exercised by those who have definite views and are in a position to mold policy. For this reason we shall now reproduce a number of published statements by prominent economists or advisers closely associated with official economic policy.

leadership has not yet assumed the responsibilities for organization and planning required to meet these problems [structural unemployment, underutilized resources, etc.]. This is highlighted by the fact that the ratio of government to total expenditure is lower than in any other country for which national product statistics are available." (p. 307); and he adds that the ratio is "less than one-third that for the United States and Canada, for example." Mr. Chandavarkar's argument is essentially similar; he also stresses the comparatively small part of the Indian national income represented by government enterprises and administration. These arguments are vitiated by neglect of the relevance of the large subsistence sector in India; and, even more important, by neglect of the extensive and close government control over the private sector. These criticisms are quite apart from the doubtful validity of the assumption behind these arguments that the rate of development is essentially a function of government expenditure and of development planning.

Influential Expressions of Opinion

Professor P. C. Mahalanobis, Director of the Indian Statistical Institute, Fellow of the Royal Society, and member of the Soviet Academy of Sciences, is statistical adviser to the Indian Prime Minister, and is generally recognized as the chief architect of the Second Plan. He is the author of the officially published *Draft Plan Frame* which is essentially an early outline of the Second Plan. In this document the first two objectives of the Plan are indicated thus:

to attain a rapid growth of the national economy by increasing the scope and importance of the public sector and in this way to advance to a socialist pattern of society;

to develop basic heavy industries for the manufacture of producer goods to strengthen the foundations of economic independence;⁵

The *Draft Plan Frame* is permeated by the idea of the special importance of the urgent development of heavy industries, and without attention to the prospective demand for their output, as in the passage quoted in Chapter II above. Yet industry is simply one form of economic activity, and there is no *a priori* reason why it should represent the most efficient deployment of resources; and, indeed, for reasons already suggested, the mass emphasis on heavy industry in India is extremely wasteful.

In a more recent report by Professor Mahalanobis there are certain passages which explain this particular paradox. The *New Age* (Bombay), an Indian weekly, in its issue of September 8, 1957, summarized an unpublished report by Professor Mahalanobis on a visit by him to China. The following is an excerpt from this report, as reproduced in that newspaper:

The Chinese planners had realised that without adequate progress of industrialisation it would be difficult to make any effective advance in socialist transformation. The rapid development of modern industries in the public sector gave the Chinese Government a dominant position in the national economy, ensured

⁵ The *Draft Plan Frame* is published in *Second Plan Papers*.

adequate and increasing flow of resources out of the profits of the State enterprises, and placed Government in a strong position to make a rapid advance with Socialist transformation. The Chinese planners appear to have worked on the basis of a grand strategy in which a rapid development of modern industries in the public sector was the first phase.

Thus in simple language the merit of industrialization is primarily political, in that it enables the Government to dominate the economy chiefly to expedite Socialist transformation in the words of the passage just cited, and Socialist transformation is a standard term of Communist literature to describe the establishment of a Communist economy. And such industrialization clearly has nothing to do with raising general living standards, but on the contrary is more nearly designed to depress them. This aspect of industrialization is familiar from experience in the Soviet countries.

In 1955 the Government of India published a draft outline of the Second Plan, together with a set of memoranda by the prominent Indian economists who are members of the Panel of Economists attached to the Planning Commission. Most of these memoranda take for granted the establishment of socialism in India. The only two countries whose economic development are reviewed in these memoranda are the Soviet Union and Communist China, whose economies are consistently referred to as Socialist economies, thus identifying socialism with communism.

Professor Mahalanobis also outlined his position in a speech in Tokyo on November 22, 1958, which at the time was rather summarily reported, but of which long extracts were recently published in the *Hindustan Times* (Delhi) of September 23, 1959. Here are some representative passages:

If we look back twenty years, the pattern is clearer. There is the Western desire, naturally, to continue to have preferential access to raw materials, agricultural or mineral, fibres, rubber, tea, or oil.

The net result has been, by and large, that the West has not shown any real concern for the industrialization of the underdeveloped countries. Industrialization would mean that resources would be more and more utilized within the country.

The Western Powers are still desirous of continuing the pattern of preferential access to raw materials. There has been no clear sign of any serious desire to help the industrialization.

As I see it, the interest of the "East" is of a somewhat different type. The East, as it is called, the USSR and East Europe and China, are more fortunate than the NATO Powers in having practically complete self-sufficiency in minerals and vast possibilities of agricultural production, therefore it is not direct access to raw materials which is the primary motive.

In fact the raw materials listed are all on sale in the world markets at equal terms to all countries. In assessing these passages it will be remembered that Professor Mahalanobis is chief architect of the Second Five-Year Plan. Professor Mahalanobis' argument is also repeated in an article by him, "The Industrialization of Under-developed Countries—a means to peace" in the *Bulletin of the Atomic Scientists*, January 1959.

Apart from Professor Mahalanobis himself, among the most prominent of the advisers of the Government who are also members of the Panel of Economists of the Planning Commission, are Professor B. N. Ganguli, Director of the Delhi School of Economics, Delhi University; Professor D. R. Gadgil, Director of the Gokhale Institute of Politics and Economics; and Professor K. N. Raj, Professor of Monetary Economics, Delhi School of Economics, Delhi University. The following passages are from their memoranda published by the Government in the *Second Plan Papers*. They are quoted at great length, both to forestall suggestions that individual passages are quoted out of context, and also to convey the flavor of the memoranda.

The views of these prominent advisers are significant not only because they are close to the Government, but also because they are the leading figures in the foremost institutions training social scientists in India, and thus their influence is both immediate and long-term. The three leading institutions are the Indian Statistical Institute, the Delhi School of Economics (University of Delhi), and the Gokhale Institute of Politics and Economics. To quote from *The New India*, which is especially authoritative in this context, being a joint publication of the Planning Commission of the Government of India and of the Ford Foundation:

To build up India's now relatively short supply of trained economic personnel, special programs in economic and social research have been begun by five leading universities¹ and in the Indian Statistical Institute.

¹ The Universities of Delhi, Bombay, Utkal (Orissa), Punjab and Madras; also the Gokhale Institute of Economics and Politics, Poona. (p. 74).

Professor Ganguli's memorandum, entitled *Institutional Implications of a Bolder Plan with special reference to Chinese Experience*, reviews some of the developments in Communist China, which is suggested as a model for India, without even the most cursory mention of the cost of the Chinese methods of economic planning, or an assessment of its results in terms of general living standards. The following extracts from the memorandum refer to some specific topics of economic planning prominent in Indian discussions.

Planning of Consumption

In a planned economy in which a good deal of personal consumption is of the nature of communal consumption it is possible for the State to regulate personal consumption to a considerable extent. This is not the situation in India. There is, therefore, no alternative to institutional arrangements for (1) operating on the supplies of essential goods and services through State-conducted and/or State-regulated trading and distribution, and for (2) operating directly on consumers' money demand through control of savings and other techniques. The nature of these institutional arrangements are considered next.

It would also be necessary to control personal consumption by banning or rigidly limiting luxury imports and domestic production of a large variety of consumer goods and of luxury goods.

Objectives of State Trading

State trading may take various forms. The State may enter the private sector of trade as an important element so as to establish its price-leadership. It may establish monopoly of trading in essential commodities. It may not itself conduct trading, but may control and regulate trade in the public interest through move-

ment control, transport allocation, price control, allocation of licences or quotas for supplies, moral persuasion, import of supplies from foreign countries to bring down rising prices, etc.

State trading as an important part of the public sector of the economy serves the two-fold purpose of planning. In the first place, it is an important source of public revenue and capital formation . . .

In the second place, State trading is a means of operating on market supplies of essential commodities and on market demand with the object of stabilizing prices and curbing inflationary pressures. In an expanding economy in which a good deal of physical capital formation is going on these inflationary pressures are inherent in the situation particularly where the State resorts to deficit financing on a large scale . . .

In India it will be clearly necessary to have State-regulated trading combined with State-conducted trading in at least essential commodities like foodgrains and cloth, and also raw cotton and perhaps sugar.

Transport

All transport in India must be under the authority of a single State-owned enterprise which may be called the Indian Transport Corporation which would sell transport of all kinds. We may think of it as a unified enterprise operating all kinds of transport.

Co-operatives as Instruments of Socialism

From the point of view of planning the minimum institutional requirement in agriculture is the development of semi-socialized co-operatives. It is suggested that redistribution of land after the fixation of ceilings or allotment of reclaimed land must take place on the basis of compulsory formation of co-operatives. In this respect the experience of agrarian reorganisation in New China would be found instructive. In New China the transition to co-operative farming is a phased programme. First, they organise *ad hoc* mutual aid groups for a season. Later these teams grow into full-year mutual aid groups with some pooling of implements. Finally, there is pooling of land for cultivation, private ownership being retained and rent being paid to the landowner . . . We have to seriously consider whether a beginning should

not be made in India with more elementary forms of co-operative effort on the basis of mutual aid.

It should be pointed out that rural co-operatives in New China are really multi-purpose co-operatives. They lend or sell seeds, prescribe the methods of cultivation, determine the time of harvesting, buy up the crops, fix prices, sell salt, fertilizers and industrial products, and, when funds are short, lend them money. The co-operatives are the subordinate agencies of the Government departments of food, taxation and trade. Their operations are co-ordinated with Government State trading agencies handling cloth, food and other essential products. Thus co-operatives are an instrument for controlling both the income and expenditure of peasants—a function which is most valuable in the context of actual or potential inflationary pressure in the economy.

Land Reform and Socialism

In India, as in New China, there is a vast private sector in the countryside which can no longer be left to the devices of anarchical individual operation of farms and other productive enterprises. I shall touch on certain broad institutional changes which are absolutely essential in the near future in these fields . . .

Just as the State has claimed the right to transfer to another management an industrial undertaking if it is inefficiently and dishonestly managed, in the same way the State may also acquire the right to transfer a holding which is inefficiently cultivated or neglected or badly managed to another person provided that fair compensation is paid.

Direction of Labor

And, as in totalitarian countries, direction of labor is also envisaged:

One way of inducing social change that is needed and of also completing our vast construction projects quickly is to organise a trained and disciplined national labour force which, like the armed services, does not recognise differences of caste or community and which can be deployed all over the country like a vast mobile force imbued with patriotic emulation to undertake and complete in record time projects of national construction.

People belonging to the depressed classes should form the bulk of this force. The idealistic youth of this country may easily form a powerful element in this force as members of the technical, supervisory and teaching cadres. The Indian Army, as the People's Army in New China, may very well find scope for its wonderful capacity for leadership, discipline and hard and sustained war in peaceful constructive activities in collaboration with the civilian labour force. The national labour force that I contemplate should not be a voluntary labour service corps which may operate on small projects for short periods . . .

Professor Gadgil's memorandum, *Policy Decisions in Plan Making*, is mainly concerned with the supply of resources for massive investment and the fiscal methods and institutional changes required to ensure the necessary supply. His main proposals are for the extension of state ownership and operation of industry and trade to secure investible resources:

. . . control over production or distribution in specific fields may enable tax-like measures to be undertaken with ease, certainty and with low cost which would not be possible if the activity is left in private hands. It is on these lines of reasoning that an extension of the public sector in specific directions can be held to lead to an increase of resources available for investment under the plan.

The establishment of specific controls is advocated to direct activity in accordance with the requirements of the Plan:

. . . if uncontrolled, deficit financing may lead to changes in relative prices, which may obstruct the working of the plan. Also, with even a mild inflationary rise of prices a sellers' market may be created and general shortage of commodities may be experienced. This will make necessary physical controls and specific allocations for carrying out the plan . . .

The other aspect of control of consumption is related to consumption of those of the comparatively well-to-do whose incomes increase. This will involve control over imports, over production of types of consumer goods, over activities such as private residential house building, over facilities offered by public services such as airways, or over distribution of goods such as petrol.

It is obvious that planned investment could not take place unless possible leakages in every direction are stopped, as far as possible . . .

Finally, a bold plan would require insulation of the domestic economy to a much larger extent than today. It may mean greater control and more systematic control over foreign trade and activities of foreign investors and foreign private companies.

Professor Raj's memorandum, *The Second Five-Year Plan: investment magnitudes and their implications*, is largely concerned with the sources of finance and the direction of economic activity necessary for the successful completion of large-scale investment in heavy industry. The extension of state trading is prominent among his proposals.

It is difficult to prevent hoarding by producers [in conditions of large-scale investment]; but it will go a long way if hoarding by traders can be prevented by the government assuming monopoly in the wholesale trade in foodgrains. If the demand for consumer goods is at any stage seriously in excess of the supply, the commodities whose prices are likely to be affected most are (apart from foodgrains) cloth, sugar, vegetable oils, kerosene, and perhaps one or two more of this kind; it is essential that monopoly of wholesale trade in these commodities is also assumed by the government.

But these operations would not yield sufficient surpluses, and therefore:

. . . the government should be prepared to go outside the field of basic industries and services, where, precisely because they are basic, it is difficult to use them for the purpose of making profits. State trading in the commodities, indicated above will not be adequate for this, since they are, by and large, essentials; greater scope for making profits can be found only if the government enters the sphere of luxuries and semi-luxuries. One possibility to be explored in particular is the nationalisation of plantations, covering tea, coffee, and rubber; with the large foreign demand for these commodities, and the inevitable growth in internal demand, not only is the scope for making profits large, but the sooner these enterprises are nationalised the better, because of

the large capital gains that are otherwise certain to accrue to their present owners (the fact that a good deal of the capital in the plantations is foreign makes these considerations even more urgent). Another possibility closely bordering on this is the nationalisation of sugar factories.

Some Special Social and Economic Costs

A primarily political aim cannot be assessed simply in terms of economic criteria. Thus one's attitude to the establishment of socialism as the goal of Indian economic policy must depend largely on one's political position, especially one's preference for different types of society, and the significance attached to individual decision and choice. It would be obviously inappropriate to examine such wide issues in this paper. It is, however, notable that the standard of living of the masses has not been raised generally in Communist economies (which in the Indian planning literature are always termed Socialist economies), whatever the achievement of these economies in other directions, nor has Communist economic policy been calculated to achieve this aim; and, as we have seen, Indian economic policy is not calculated to achieve it either.

There are, moreover, certain factors and features of the Indian social and economic landscape and intellectual climate which bring it about that the pursuit of the Socialist goal results in social strain and economic waste, which elsewhere are not necessary corollaries of such a course. The presence of a huge backward subsistence sector, of an illiterate caste and custom-bound peasantry often unfamiliar with the ways of a money economy, and of numerous distinct ethnic and linguistic groups, all enhance the importance of the widening of opportunities and of the movement of people, ideas and commodities. Conversely, they increase the social strains and economic costs of centralized direction and close official control of economic life, of comprehensive restrictive licensing of economic activity, and of enforced industrialization.

Further, the preoccupation with this general aim of policy prevents critical assessment of attitudes and customs adversely

affecting material progress, and of influential but misleading and misconceived ideas, and of policies based on them. These have been noted already. Quite apart from pervasive social customs and habits prejudicial to material advance, such ideas and attitudes include, among others, the naive belief in the efficacy of investment expenditure as an instrument of development; the uncritical belief in the special economic merit of manufacturing industry or of particular types of industry such as heavy industry at one extreme, or cottage industry at the other extreme; and the failure to perceive the transfer of resources, that is the cost involved, in the promotion of certain economic activities and sectors. Such opinions and attitudes are not necessary corollaries of a Socialist policy but their espousal often promotes its adoption; and preoccupation with this aim prejudices or even prevents their critical assessment. Thus both the social and economic costs of comprehensive socialization of the economy, clearly envisaged in Indian economic planning, are unusually and unnecessarily high in that country.

Indian economic planning is much affected by the influential but oversimplified or outright fallacious ideas just noted which are widely held elsewhere also, but which are especially pervasive in India. They are partly political in origin in that their espousal may promote particular political aims, especially the establishment of a closely controlled economy. But they are widely held also by non-Socialists; and, conversely, the pursuit of socialism does not require their acceptance. Indeed, Socialist policies based on them are likely to be wasteful in terms of its own objectivism which could be achieved at a lower cost. Thus in a sense India gets the worst of both worlds in that the policy results in a highly centralized closely-controlled economy, and in an unnecessarily wasteful deployment of resources and retardation of their growth. It is the pursuit of a primarily political aim in an intellectual climate permeated by oversimplified, or outright confused, economic ideas, which explains the paradoxical and costly policies which a poverty-stricken, materially backward country with a large subsistence sector can ill afford.

Wider Political Implications

It has now been recognized by some Indian economists that comprehensive planning with a view to the establishment of a Socialist society would involve far-reaching political and constitutional changes. Only one academic economist, Professor Shenoy, appears to have criticized the Plan for this reason (among other reasons).⁶ Indian economists generally were prepared to accept the institutional and political implications of planning as conceived in the Second Five-Year Plan.⁷ Moreover, a prominent Indian economist, Professor V. K. R. V. Rao, Vice-Chancellor of the University of Delhi, and formerly Director of the Delhi School of Economics, stated in an unpublished memorandum:

... What I do suggest is the need for a thorough review of the Constitution with a view to seeing that it facilitates rather than hinders recourse to planned economy and a socialistic pattern of society. The Planning Commission must have the power to plan and that too for a socialistic pattern of society. I suggest, therefore, that one of the first tasks before the Planning Commission is to examine the whole question of planning from the point of view of its constitutional implications and put forward concrete proposals for necessary amendments to the Constitution.

The quotation is from a working paper prepared at the Indian Statistical Institute in January 1955.

In 1954-55 a number of economists were invited by Professor Mahalanobis to the Indian Statistical Institute to prepare working papers for the Second Plan. Many of the visitors were foreigners, and most, possibly all, were either Socialists or Communists, a large proportion of them from Eastern Europe, including the Soviet Union. The only countries whose experience

⁶ In his *Note of Dissent*, in *Second Plan Papers*, in *Problems of Indian Economic Development*, and in articles in the Indian press.

⁷ For instance, we have already noted that the majority of the official Panel of Economists (in fact all members except Professor Shenoy) urged the Government to face without hesitation the legislative and administrative implications of a bold plan. See Chapter II.

was discussed in these papers were the Soviet countries and Communist China.

The gist of these papers deserves notice on two grounds. First, because of their influence on Indian economic policy. Second, because they reflect the ideas of the economists who largely represent the developed countries in India at both the official and the academic level, and whose influence now pervades both official and academic thought in India.

Certain general ideas or assumptions are taken for granted in almost all these papers. The most important of these are that economic development depends essentially on capital expenditure; that it can take place at an adequate pace only under socialism in the sense of a Communist economy (Communist economies are consistently referred to as Socialist, and Soviet planning is consistently termed Socialist planning); that the procedure and methods of economic planning in the Communist countries are both effective and desirable, and the models for India to follow; that, in a planned economy, the establishment of which is necessary for economic development, the rate of increase of the national income, the volume of total investment, and the composition and direction of economic activity and output are centrally determined by the Government; that private market demands are irrelevant; that heavy industry has a special role to play as an instrument of economic advance; that private enterprise does not and cannot contribute significantly to economic development and that where it is temporarily allowed in certain sectors it must be closely and directly regulated by the state; and that cooperative societies are instruments and agencies of the state and are to be considered part of the public sector.

Although these papers have not been published, a few copies circulate in private hands. These papers have played a major, and possibly decisive, role in influencing the direction and priorities of the Second Plan and of the draft outline of the Third Plan. Their influence should be clear from comparisons between the ideas just listed and the objectives and methods of the Plan, and the statements of Professor Mahalanobis quoted in this

chapter and in Chapter II above. The papers are therefore documents of great significance. They should be published. They are supposed to be technical papers designed to assist Indian economic development. The finance for the visits of the experts was provided by the Indian Statistical Institute, which is supported partly from Indian public funds (which in turn are subsidized by the United States) and partly from American foundation money.

VI. UNITED STATES AID TO INDIA: ALTERNATIVE POLICIES

General Aspects of Foreign Aid

DISCUSSION of the social and economic landscape of India, and of the principal characteristics of Indian economic planning and its implications, is essentially a review of facts, tendencies, and policies, and an analysis of their implication. When we come to consider the most appropriate policy for United States aid to India, the discussion necessarily moves on a somewhat different and largely political plane. Thus, even those who accept the validity and relevance of the description and analysis of earlier parts of this paper may still disagree with the suggestions for policy because of differences in the assessment of the courses open to the United States, or in the assessment of the probable results of the different courses of action, or because of differences in value judgments. Most of the discussion will aim, however, principally at setting out factors relevant to policy in this sphere rather than at making suggestions for specific courses of action.

Foreign aid represents resources compulsorily taken from the citizens of the donor countries and thus differs essentially from voluntary charity. It can, therefore, be rightly expected that the transfer should serve the interests of the donor country, which of course need not conflict with the interests of the people of the recipient countries, and are likely to accord with them.

The resources transferred as foreign aid represent resources in urgent demand throughout the world, both within and without the donor country, and it is reasonable that they should go primarily where they are most likely to be used effectively for the promotion both of a good society and of economic development. Thus, the domestic policies of the recipient governments and the attitudes of the populations are relevant to the allocation of aid. There is manifest waste both from the point of view of the donor country and that of the world at large if aid goes to countries where policies pursued are likely to retard development and thus maintain or increase the need for further aid. These

considerations already imply the importance of great care in the choice of the recipients and in the allocation of the aid, and there are also other factors reinforcing these conclusions.

The granting of aid to India throws into unusually clear relief some of the problems of the granting and distribution of foreign aid. The presence of customs and attitudes manifestly detrimental to material advance and the official measures reinforcing them, the general direction and priorities of the Second Plan, the heavy expenditure on defense (which arises largely out of the disputes with Pakistan, which also receives United States aid, and where also defense expenditure is heavy), all these underline some of the problems inherent in a foreign aid program, especially those of the selection of the recipients and the criteria to be adopted in the allocation of aid. The clear relief into which these problems are thrown in the context of aid to India lends additional interest to the Indian aid program.

The granting of foreign aid necessarily draws the donor country into the internal politics of the recipient country. This result is unavoidable because it increases the resources of the recipient government relatively to the private sector, and also, by strengthening the government, it underpins the policies pursued by it. Foreign aid also discourages the recipient government from promoting the inflow of private funds. Indeed, it would be unpatriotic of the government to seek to obtain funds at market terms if they are available free or on subsidized terms.

Two additional points of some practical relevance may be noted. Unless great care is taken to dispel the belief, it is widely thought that foreign aid is a device with which the donor country exports its unemployment, or maintains the demand for an output which cannot be sold at home; the recipient country tends to regard itself as conferring a favor on the donor, rather than the other way round.¹ The granting of aid is also apt to set up

¹ These ideas are nourished by the argument of the supporters of aid in suggesting that it provides a market for United States exports. Even conservative writers sympathetic to the United States in the recipient countries often believe this to be the main force behind the aid pro-

embarrassing comparisons between the position of different recipients and claimants.

There is, therefore, on these various grounds, a general presumption (though one which can be overthrown) against the granting of foreign aid, that is against the transfer of funds compulsorily collected from the citizens of the donor country, which is a process essentially different from voluntary charity or aid.

United States Interest in India

The essential American interest in India is fundamentally simple. It is reasonable to suggest that in India, as elsewhere, it is served by the development of a society resistant to the appeal of a totalitarian regime, and experiencing economic advance in the sense of enjoying a general rise in living standards. Such a society would generally be one with the following characteristics: the economy is developing; people have wide access to alternatives both as consumers and as producers; decision-making is decentralized and widely dispersed; the power of individuals over others is limited; people do not experience violent and discontinuous disintegration of their communities; large numbers of people own some property. And economic advance, if it is to be meaningful, must refer to an increase in the net flow of goods and services desired by the population, and not simply to an increase in the volume of some categories of physical output, regardless of the desire of the individuals comprising the society.

The establishment and maintenance of a society resistant to the appeal of totalitarianism and the promotion of economic advance implying a widening of people's range of choice call for economic systems in which decisions about the composition of the national output, including those affecting the distribution of

gram. Here is a typical formulation of this view from an article in the *Commerce Annual Review Number*, Bombay, 1957, p. 44. "If the economically more advanced countries like the U.S.A. did not give 'aid' to the less developed countries, they would be choked with goods and an economic paralysis would result."

resources between consumption and investment, are taken largely by the individuals participating in economic life. These aims are not promoted by a system which subjects a large part of economic activity to central direction and detailed decision-making by the Government.²

The Role of Government in Economic Development

Neither economic advance nor the emergence of societies with these desired characteristics depend solely on government action. But they do presuppose the efficient performance by the government of a wide range of complex and delicate tasks, coupled with a desire to refrain from detailed and specific control over the private sector of the economy. Thus, it requires both action and restraint on the part of the government, that is, willingness and ability to undertake certain functions, and determination to refrain from certain other activities.

The more important of these positive functions are familiar, though unfortunately their adequate performance cannot be taken for granted. They include: promotion of a suitable institutional framework for the activities of individuals; maintenance of law and order; control of the supply of money; provision of basic health and education services; establishment of basic communications; and often also provision of agricultural extension work. These are important or even essential functions which cannot be performed by individuals or firms, partly because they represent the establishment and adjustment of the institutional structure within which the private sector functions, and partly because some of these activities yield services which are desired or even required, but which cannot be bought and sold in the market. The adequate performance of these tasks would fully stretch the fiscal and administrative resources of the Indian Government.

² Decentralization is much emphasized in the literature on Indian planning. But in that literature the concept does not refer to decentralized decision, but only to decentralized execution of decisions taken centrally.

In the negative sense a society resistant to totalitarian appeal implies that the government refrains from substantial government participation in industry and trade, the formation of statutory monopolies, a policy of large-scale compulsory saving, and restrictive control of private enterprise. Such policies both retard the rise of living standards, and promote a society unlikely to be friendly to the United States.

As will be amply clear from what has been said in earlier chapters, Indian economic planning fails on both criteria. The Government has undertaken and undertakes in an increasing measure functions which do not conduce to the rise in living standards, an aim which is indeed receding into the background in current Indian discussions. Indian economic policy is leading to a highly centralized society in which both the general pattern of economic life and the activities of particular individuals and enterprises are closely controlled by the Government. Besides being subject to close government control, the economic lives and activities of individuals are also subject to frequent sharp and unsettling changes occasioned by changes and shifts in government economic policy which now affect their lives much more pervasively than formerly. At the same time the Government neglects those essential functions which it alone can undertake, and which are both necessary for economic advance, and for the development of a free and open society.

Current Trends in Indian Planning

The foregoing conclusions, based on the policies of recent years, notably those of the Second Plan, are reinforced by the current trend of policy which is one of increasingly close and pervasive government control over the economy. Recent indicators of this tendency include the official announcement of the proposed state monopoly of the wholesale trade in food, the emphasis on Socialist planning at the 1959 annual meeting of the Congress Party, and the threatened official restrictions on the activities of managing agents. But probably the most important indicator of the prospective policy is to be found in the mimeographed draft outline

of the Third Plan which, although as yet unpublished, is obtainable in India.

The outline of the Third Plan envisages further substantial increase in total investment and in capital intensive heavy industry;³ a further substantial increase in the share of public investment in total investment, in accordance with the objective of achieving a Socialist pattern of society; state monopoly of trade in the wholesale trade in food grains to yield a huge trading surplus for public investment; substantial trading profits of government production and trade in machinery and equipment and chemicals and some allied trades (which suggests the likelihood of the establishment of state monopolies, or the continuation or extension of restrictive licensing in these activities); further increases in corporation taxes; additional heavy taxation on manufactured products, including textiles; and substantial taxes on agricultural output (apart from the trading profits of the state monopoly in food grains).

These far-reaching proposals are corollaries of the exceedingly ambitious comprehensive development planning in India. Without massive foreign aid or a very great increase in taxation on the already heavily taxed exchange sector, a plan of the size of the Second Plan implies large-scale deficit finance. And a large increase in taxation is politically and administratively impracticable without drastic extension of state control over the economy, notably by means of government trading monopolies, or the extension of the scope and purpose of the licensing of economic activity, that is extensive and pervasive control over the economy additional to the command over resources and to the influence over the economy derived from the heavy taxation of the exchange sector. Therefore, it is not accidental that this draft outline of the Third Plan, which is even more ambitious than the

³ In spite of the fact that the Draft recognizes that because of their capital intensive nature they will provide little direct employment and will also prove a very costly form of investment. In these industries investment per worker is estimated at over 25 times the corresponding figure for organized small scale industry.

Second Plan, envisages not only further drastic increases in taxation, but also a large surplus from state trading in food grains on the Soviet model. Such policies, which are corollaries of the big, bold plans, obviously have far-reaching and pervasive social and political results, and these implications of the size of the Plans need, therefore, to be understood.

The draft outline also envisages massive assistance from abroad, but none of this is to be used for the import of food grains:

... as no imports of food grains are proposed to be made during the Third Plan in order to conserve the very scarce foreign exchange.

Such a policy would run a serious risk of large-scale starvation. The danger of a food crisis in India will remain a recurrent threat while agricultural productivity remains so low, a threat underlined by the rapid increase in population.⁴ The Indian planners may assume that they are safe in using all external resources in other directions and not importing any food, since additional aid to avoid starvation will always be granted. On the other hand it is not impossible that they might be prepared even to run the risk of starvation in the country rather than moderate the cherished Plans. But if there were to be large-scale starvation it would not be the first occasion that it accompanied a five-year plan with massive emphasis on heavy industry.

Professor Shenoy, who alone among Indian economists correctly analyzed the monetary implications of the Second Plan's deficit finance, and correctly forecast the ensuing foreign exchange crisis, has noted the political implications of economic instability and tensions stemming from grandiose development plans of the Indian model. Writing in April 1958 on the scale of Indian planning,⁵ he said:

The available indicators suggest the necessity for a scaling down, not a stepping up, of Plan investment. We cannot make big progress by making a big plan. A Plan un-related to the

⁴ The seriousness of this threat is the principal argument of *India's Food Crisis*.

⁵ "Foreign Exchange Situation," *Nagpur Times*, Nagpur, April 1958.

available savings and foreign aid would, in fact, retard the pace of progress.

The Communist strategy in India, at the moment, seems to be to so manoeuvre our economic policies as to cause a maximum of confusion and economic instability as, from experience elsewhere, they have seen how fertile such a back-ground is for the propagation of their ideologies.

We cannot subsidize communism better than by insisting on this futile attempt at investing resources which we do not possess, thereby causing undue economic and social stresses and strains.

Quite apart from the political implications of the establishment of a Socialist society in India, these policies are plainly inappropriate if the aim is to raise general living standards in India; and they are especially inappropriate in view of the attitudes, customs and educational standards of India. The proposals are thus paradoxical which are designed to underwrite Indian economic planning by large-scale aid from the United States, that is by means of resources compulsorily collected from taxpayers.

Underwriting Indian Planning

The Concurrent Resolution introduced in the United States Senate (quoted in the Introduction) specifically commends Indian economic policy and, indeed, suggests the granting of aid in order to assure the successful completion of the Second Five-Year Plan, and the more effective preparation (and by clear implication, execution) of the Third Five-Year Plan. In effect, it identifies economic development with development planning, particularly of the Indian type. Foreign aid granted along these lines would thus reinforce the current direction of Indian economic policy; and as should be clear from the description, analysis and discussion of this paper, it would be much more likely to retard the rise of general living standards in India than to accelerate it, and to obstruct rather than promote the emergence of a society resistant to totalitarian appeal.

The principal proponents of large-scale aid to India, notably the speeches for the Concurrent Resolution, and also the most

prominent academic and popular writers on this subject, identify economic development with development planning as reflected in current Indian planning, which they regard axiomatically as a beneficial and, indeed, necessary instrument of development, usually without examining its content and implications, and regardless of alternative deployment of resources and of government effort.

The terms of the Concurrent Resolution are an example of the naive and unquestioning identification of development with development planning. This identification is a fundamental and pervasive flaw of much current discussion on this subject and largely accounts for other, more specific defects of the discussion. Thus cut-backs of the Second Plan in 1958 have been regarded as in part responsible for the slower rate of growth in India in that year compared to previous years.⁶ This suggestion represents an unusually crude confusion of an historical with a causal (functional) relationship. Even if Indian development planning promoted economic advance compared to a different deployment of resources, this clearly can operate only over time and not simultaneously; and quite apart from this elementary consideration, the cuts only scaled down certain planned figures, which themselves were large increases over those of earlier years, and the Plan expenditure in 1958 was not less than in earlier years; and such reductions as there were did not take effect until later in the year.

Proponents of large-scale aid to India also stress the precariously low level of food production and the heavy unemployment in India, but wish to underwrite the Second Plan of which massive expenditure on capital intensive heavy industry is the distinctive feature. They note the role played by British and European loans to the United States in the nineteenth century⁷ all of which were repayable, and yet deplore the granting of "inflexible, hard loans through the Export-

⁶ *Congressional Record*, 86th Congress, Senate, p. 2484.

⁷ *Ibid.* p. 2485.

Import and World Banks with fixed dollar repayment schedules that retard instead of stimulate economic development.”⁸ And the proponents emphasize the democratic nature of Indian economic planning and the reliance on voluntary methods, while in fact the Government has practically unlimited powers over the fate of all enterprises in the country. They ignore the perverse distribution of emphasis and priorities under the Plan, and its avowed objective of the socialization of the country. This oversight is particularly unexpected from Senator John Sherman Cooper, a former Ambassador of the United States to India. And this list of omissions and defects of the proponents’ approach could be greatly extended.

The terms of the recent proposals for large-scale foreign aid, notably those of the Concurrent Resolution already quoted, also reflect an influential suggestion which has recently gained much ground in the United States. Until comparatively recently, advocates of foreign aid to underdeveloped countries regarded it as axiomatic that aid must be given regardless of the policies pursued by the recipient government. More recently there has been an interesting shift in emphasis, and it has come to be suggested that the willingness of recipient governments to undertake comprehensive development planning and compulsory saving should be regarded as the criterion in the allocation of foreign aid. Many adherents to this line of reasoning explicitly couple foreign aid with the Indian Five-Year Plans, of which compulsory saving and comprehensive development planning are of the essence. So far from being an influence in favor of a free society and a necessary condition of social and economic advance, the policies of the Second Plan promote a highly centralized and regimented society, and obstruct the general rise in living standards.

⁸ Senator Kennedy’s words in his Senate speech of February 19, 1959, *Congressional Record*, *loc. cit.* It is not clear why the granting of loans expected to be repaid (the usual practice in the early history of developed countries) should retard economic development.

To some extent external assistance to India is already guided by such criteria. In 1958 massive emergency aid was granted to India when the deficit financing undertaken to promote the much vaunted "bolder Plan" had resulted in an acute foreign exchange crisis; and it was this massive external assistance which made it possible to continue with the Plan, which aims at socializing India, rather than raising the standards of living. Again, very recently a special loan of 20 million dollars was granted to India by the Development Loan Fund specially for the purchase of structural steel and other steel products. This decision, which supports the Indian emphasis on heavy industry, was announced on June 19, 1959, months after the urgency of an early and substantial increase of agricultural productivity became widely recognized in view of the rapid and accelerating population growth. Twenty million dollars may seem a small sum by western standards, but it would buy appreciable amounts of fertilizers, insecticides, and inducement goods.

The suggestion that foreign aid should be granted specifically to underwrite Indian economic planning should be rejected—not so much because of the cash cost to the United States, but because of the cost to India. For this would make it inevitable that the country is pushed further in the direction of the establishment of a completely socialized economy, in the direction of an economy in which the range of choice of individuals is severely circumscribed both as consumers or producers, and in which the state is all powerful.

The word "pushed" is used advisedly. It is a small number of intellectuals and politicians, themselves a small proportion of the relatively thin stratum of the vocal and articulate population, who both insist on comprehensive development planning and ask for foreign aid. It is they who are the driving force behind Indian planning and the direction it has taken. They already owe their position in large measure to United States support of their cherished policies and the concentration of American foundation support on the particular universities and research institutes in which they work.

Cessation of Aid to India?

In a powerful article ⁹ Professor Milton Friedman recently proposed the cessation of foreign economic aid, subject to a period of notice and a terminal payment to the recipient governments (to facilitate the adjustment required to the cessation of aid). The suggestion that the aid program should be abandoned is attractive, and at first sight this would apply especially to aid to India. The general presumption against foreign aid applies with particular force to India, where it serves to underpin policies resolutely pursued which cannot be interpreted reasonably as according either with the aim of raising the standard of living of the masses, or with the aim of promoting a society resistant to totalitarianism.

Yet there are substantial arguments against the drastic course of the cessation of aid. Foreign aid can help to improve economic conditions in the recipient countries, as was shown by the aid program under the Marshall Plan. Foreign aid, if wisely directed, may contribute substantially to economic, social and political improvement in India, to the advantage both of that country and to the United States. It is also arguable that it may permit sustained contact between American personnel and the recipient countries, which may be valuable if these are men and women interested primarily in advancing the welfare of Indians and the interest of the United States, rather than in the promotion of a socialist ideology; that the defects of the Indian aid program have arisen from lack of clearly defined purpose and method; and that even if it were better if there were no such program, if one could start afresh, there are serious political disadvantages in discontinuing it once it has been started, especially in view of the importance of some continuity in the administration of foreign relations.

A decision reflecting these conflicting considerations must be based on the balance of probabilities, including estimates of the resources available for the aid program generally and of the various other claims on these resources. Irrespective of these considerations, however, it is highly probable that the political forces

⁹ "Foreign Economic Aid," *Yale Review*, Summer 1958.

in the United States and abroad will ensure continued aid to India. But it is imperative that future aid should not be along the lines and on the massive scale now widely advocated in the United States.

There is, however, one suggestion proposed by almost all advocates of aid which is readily acceptable. This is the need for continuity and consistency in the aid program instead of the current practice of a series of costly and ineffective *ad hoc* measures. But the consistent direction should be toward a free and not a regimented society.

Desiderata in an Aid Program

In the present political and intellectual climate of the United States continued economic aid to India is certain for the next few years at least. As already noted, a reasonable amount of aid granted on suitable criteria might indeed be valuable on various grounds. We shall now discuss the conditions of an aid program designed to promote the desired objectives of fostering a general rise in living standards, and the emergence of a free and open society.

Foreign aid increases the resources of the Government relatively to the private sector in the economy. Attempts to offset this by stipulating certain types of expenditure by the recipient government, designed to support private enterprise or to act in collaboration with private enterprise, can always be defeated, and are likely to be defeated, by reducing allocations for such purposes in other directions, leaving the over-all position essentially unaffected by these stipulations.¹⁰

¹⁰ There are minor qualifications to this argument. Some aid funds might be used to support recognized educational institutions in the country, whether foreign or locally organized. Loans might also be granted to private institutions on subsidized terms but subject to definite conditions of repayment. These are only minor qualifications, because even if feasible they would be practicable only on a small scale. Moreover the recipient government still determines allocations of funds, which necessarily implies both power to select the favored categories and enterprises, and also control over the enterprises which receive public funds.

Thus the increase in the relative share of the recipient government in the economy is a practically inescapable direct result of foreign aid. This result is, moreover, apt to be accentuated in scope, intensity and duration by a bias in favor of governments engaged in comprehensive development planning and the pressure put on governments to pursue it. It is, however, possible to devise a foreign aid program with a very different orientation.

One approach would be a policy under which American aid would be varied in accordance with the over-all economic policy pursued by the Indian Government over the previous period. The amount of aid could then be made to depend on the performance of the Government in pursuing a policy designed to raise living standards and to promote an anti-totalitarian society, insofar as these aims can be promoted by government policy. More specifically, it might depend upon the performance of the Government in attending to that wide range of essential government functions which are required for economic advance and wider social progress, while refraining from those actions and types of conduct which prejudice these major objectives. The principal functions or rules of conduct envisaged for the promotion of these objectives have already been listed above and need not be repeated.

In India the rate of material progress, the presence or absence of famine and the scope of social advance are much affected by the direction and emphasis of government policy, because of the mass illiteracy, the restrictive social environment in the villages, the vast backward agricultural sector and the absence even of reasonably adequate educational facilities or rural communications. Both the economic and social progress of the Indian masses, and also the political complexion of the country, will be much affected by the decision of the Government in directing its policy primarily towards the widening of people's outlook and opportunities, the release of their energies and the increase of agricultural production for the market, rather than towards the socialization of the economy by the extension of government ownership and operation of industry and commerce, and by ex-

tensive and specific control over what is left of the private sector outside subsistence agriculture.

There will, of course, be room for differences in assessing the adequacy of government performances in these spheres. But a broad assessment of its essential orientation and direction should be perfectly feasible, especially in India, where the urgency and magnitude of the essential tasks stand out so clearly. Such an assessment could be performed by a suitably staffed American mission.

A scheme designed to promote these aims effectively need not be expensive, though it would involve more than mere token amounts. Indeed, an expensive scheme would defeat its object, because it would greatly increase the resources of the Indian Government in the local economy compared to those of the private sector. Moreover, a modest scheme would allow scope for substantial adjustments of the amounts in either direction if on review it is decided to continue the program. Any suggested figure is necessarily largely arbitrary. Perhaps initially annual amounts of between 150 and 200 million dollars for a period of three to five years (or their equivalent as a capital sum at the beginning of the period) might be reasonable. Aid on this scale would leave room for a substantial adjustment in the amounts whenever the policy comes up for review. For instance, if the performance of the Indian Government, the progress of the Indian economy, and the general political situation would seem to warrant it, the aid could be appreciably increased without becoming prohibitively expensive. And conversely it could still be scaled down without being effectively eliminated.

Whatever aid is granted should preferably be in cash and not in agricultural surpluses, to ensure that both in reality and in appearance its essential purpose is economic aid and not disposal of surpluses, which if thought desirable as a measure of policy, should be kept distinct from aid. The essential impact of aid on the economic situation in the recipient country, which is certainly a primary aspect of foreign economic aid (including its long-term cost or benefits to the United States) is the same whether it is

given in cash or agricultural surpluses, because the local proceeds of the disposal of the surpluses augment the resources of the Government in the economy in exactly the same way as the receipt of cash from abroad. The provision of aid in cash rather than in surpluses would help to forestall the criticism that the aid program is a device for sustaining the economy of the United States by exporting unsalable output.

Aid on this scale would be appreciably smaller than total current United States assistance to India, and, of course, much less than the aid envisaged by the massive aid school. On the other hand it would not be negligible; and as already noted it could be varied appreciably in the light of Indian government policy.¹¹

Such an aid policy might contribute substantially both to social advance of material progress in India and to the strengthening of anti-totalitarian forces. It implies a very limited commitment of the United States. It would combine continuity and flexibility by ensuring certain minimum receipts over a stated period to the Indian Government, while allowing ample freedom of action to the United States beyond a relatively modest commitment. More-

¹¹ The amount of official United States aid currently received by India cannot be presented easily, succinctly and yet accurately for various reasons, such as the multiplicity of types and categories of aid (for instance cash and agricultural products, government grants and loans, Export-Import Bank credits) and differences in timing between authorizations, allocations and disbursements. Speaking broadly, official authorization of various types of United States aid to India between April 1956 (the beginning of the Second Plan) through 1958 were around 1.2 billion dollars, including a credit from the Export-Import Bank, but excluding loans from the International Bank for Reconstruction and Development, and excluding also disbursements from authorizations of earlier years. The figure includes a loan of 175 million dollars from the Development Loan Fund, easily the largest allocation from this Fund, about equal to the allocations of the next three most favored recipients combined. It excludes, however, the special loan of 20 million dollars from the Development Loan Fund announced in June 1959, and mentioned in the text of this chapter.

over, if it helped to reduce the likelihood of famine in India, which is an ever-present hazard there, it would not only help in avoiding human suffering but would also serve as a valuable insurance premium, because the United States would certainly assist India in a famine. Thus if American aid to India is to be continued, as is highly probable, there would be solid advantages in a program reflecting these considerations.¹²

Objections Examined

The approach, direction and aim of such a program would differ greatly from those of current American aid programs to underdeveloped countries generally, and to India in particular. These are generally without specific objectives or direction, and simply strengthen the policies of the recipients which are often oriented towards comprehensive planning and government control of the economy. The orientation of the suggested program differs even more radically from that of the Kennedy-Cooper resolution, which amounts to massive underpinning of an economic policy directed specifically towards the establishment of a Socialist economy in India.

The differences between these two approaches derive largely from deep-seated political differences about the role of government in social life, between those who assign a primary or even exclusive role to government in the direction and management of economic life, and those who wish to assign to it an essential but nevertheless limited role. The bases of these different views on the merits of the different systems cannot be examined here.

¹² The discussion in the text refers to government-to-government foreign aid. It does not deal with the work of voluntary agencies, nor does it refer to a possible method by which the West could aid India, namely, patient exposition of the long history of western economic progress and also a statement of the methods and principles by which North America was turned, within just over a century, from a barren and empty continent into the richest area of the world. Although such an exposition would be a valuable form of educational assistance to underdeveloped countries, it is not directly relevant to foreign aid.

It is, however, necessary to examine briefly certain possible specific objections to these arrangements, which are indeed likely to be in the minds of readers acquainted with the current literature on underdeveloped countries and foreign aid.

First, it might be objected that a policy along these lines would be a deliberate and improper attempt to influence the internal economic policy of India. However, all types of aid necessarily affect the internal policy of the recipients. The only question at issue is the orientation of the influence. A policy based on these suggestions would not interfere in domestic Indian affairs more than does the current aid program, and would probably interfere less. It would certainly interfere much less than the policy envisaged in the Kennedy-Cooper resolution, which specifically links United States aid to Indian domestic policy. But the direction and the effects of this influence would differ sharply from those of the current aid policy, and even more from those envisaged by the above resolution.

Second, it may be suggested that a policy along the indicated lines would retard rather than promote development by discouraging comprehensive development planning and compulsory saving which are deemed to be indispensable for Indian economic development. As already noted, it is now widely suggested that aid should be given to governments pursuing a policy of comprehensive development planning and compulsory saving. The implications of this currently canvassed criterion are very far-reaching. It implies that not only should aid be used to increase the resources of the government relative to the private sector, but that it should go to countries in which the direction and composition of economic activity is determined largely by the government and should thus serve to induce the government to pursue such policies. But in fact such measures, so far from being indispensable for economic advance, were not used in the development of any one of the now highly developed countries. It is only in the Soviet economies that they are central instruments of economic policy.

Third, it is often argued that the absence of constructive business talent in India requires large-scale government entry into industry and commerce. But there is manifestly no lack of constructive business talent in India, as is clear both from the performance of the rapidly advancing industrial and commercial sector in recent decades, and from that of large numbers of Indians abroad. The presence of business ability in the private sector is also implicitly recognized in the numerous official prohibitions and restrictions which are designed to prevent the pursuit and exploitation of economic opportunities by the private sector in directions of which the Government disapproves. Moreover, if the economy generally is really deficient in these talents, why should a supply be readily available to the public sector?

Fourth, it is often suggested that massive foreign aid is analogous to the inflow of private capital in the early history of developed countries, and its absence would deny to India the type of assistance enjoyed by developed countries in their earlier history. This, for instance, was suggested by Senator Kennedy in his Senate speech in February 1959. But the analogy fails. In the earlier history of developed countries, and indeed in that of the underdeveloped world until World War II, public authorities often borrowed abroad, but they did so from private citizens who lent voluntarily, and the loans were generally repaid out of tax revenues or similar receipts. This process differs essentially from government-to-government aid, which played no significant part in the past. This is quite apart from the fact that in the development of many now advanced countries, the role of external capital was very small.

Fifth, it is widely urged in the United States that without government planning, supported by generous aid from abroad, the economic progress of China will greatly outstrip that of India, which will set up unfavorable comparisons between these countries and enhance the attractions of Communist methods throughout Asia. This widely canvassed argument begs all the essential questions. It assumes that Indian economic planning promotes

economic development and raises standards of living. It accepts the claims of the Chinese Government without questioning the reality and scope of the Chinese economic achievement, nor its effect on the standard of living of the people, or its cost. It ignores the rapid progress in many sectors of the Chinese economy before World War II, notably the rapid industrialization in many parts of the country, without compulsion from the Government. It also ignores the differences in economic qualities between Chinese and Indians. Although Indians have many valuable economic qualities, especially when they are not hampered by a very restrictive social environment, they are nevertheless generally less ingenious, energetic, resourceful and industrious than the Chinese, as is suggested, for instance, by the relative performance abroad of Chinese and Indian emigrants.

Thus, quite apart from questions of content, meaning, extent and cost of Chinese progress in terms of material welfare of the people, it cannot be suggested meaningfully that the rate of economic advance in China or India depends simply on development planning.¹⁸

The suggestion is naive that the Asian masses observe with bated breath the comparative performances of the economies of China and India. The vast majority of the illiterate masses know nothing about these matters. Moreover, if comparative performances of the Asian economies have such political repercussions, more emphasis might perhaps be placed on the development of Japan, Malaya and Hong Kong, all of which have advanced very rapidly in recent years or decades without massive government compulsion. The insistence with which the Chinese performance is publicized rather than that of these other countries, is a significant pointer to the political position of the articu-

¹⁸ The article by Professor Malenbaum cited above (p. 75) is a recent example of a presentation which assumes that economic development generally, and Indian and Chinese development in particular, depend simply on development planning.

late classes in Asia, especially to that of the intelligentsia and of politically ambitious individuals and groups in India, who wish the country to adopt an all-out Socialist policy.

Sixth, it is often argued that without sufficient United States aid India will turn to the Soviet Union and this would increase the likelihood of a Communist regime in India. This risk may indeed be significant. But it certainly will not be diminished by supporting a policy which will promote totalitarian tendencies in India. The political situation in India is dangerous. There is widespread disillusionment with the Congress Party, which in the eyes of many of its supporters has outlived its usefulness after achieving the independence of the country. Some of the left-wing members of Congress are moving over to the Communists (some of the leading figures in the Communist Government of Kerala State used to be in the Congress), while others are engaged in pushing Congress itself in a Communist direction.

There are in India millions of small landowners, small industrialists, traders and artisans, who used to be the bulwark of the Congress Party. Many of these people, though they are largely inarticulate and politically not well schooled, are now acutely apprehensive of current Indian economic policy, of which a Socialist regime is the avowed objective, and a sovietized economy a possible eventual outcome. This growing apprehension is reflected in letters and articles in the press, in pamphlets written by members of this class or addressed to them. But there is as yet no effective leadership, especially in the sphere of economic policy, for the millions of small landowners, businessmen and artisans who are apprehensive of their fate.¹⁴ An aid policy designed greatly to strengthen the extent and intensity of government control of the economy strikes directly at the emergence

¹⁴ Very recently (in June 1959) a new political party (the Swatantra Party) was launched under the leadership of Mr. C. Rajagopalachari, which aims to combat some of the principal trends of current Indian economic planning. The outcome of this movement is as yet largely conjectural.

of such leadership and at the viability of groups striving to combat totalitarian tendencies.

Indian Prospects

There can be no material advance in India without far-reaching and effective government action over a vast range. This is obvious, for instance, in the context of the most fundamental of India's economic problems, the backwardness of agriculture. Without substantial advances in agriculture, neither the recurrent threats of famine, nor the danger of stagnation or near-stagnation of the general standard of living can be finally removed. But these advances require not only improvement in agricultural techniques, but also in education and physical communications, which contribute to the widening of horizons and the changing of traditional attitudes obstructing economic advance. These are tasks which necessarily devolve on the Government.

In India there are large reserves of human energy and talent whose potential contribution to economic progress is inhibited by the restrictive forces of custom, enhanced at present by the restrictive effects of government policies. A relaxation of the factors inhibiting people's energies and talents would serve not only to promote development from within, but also facilitate the introduction and absorption of the technical advances and achievements of other countries. The presence in the contemporary world of the fruits of technological progress achieved in the developed countries, but available to others, is an important latent asset of India, as of other underdeveloped countries. But only if the social background and government policy are suitable can the introduction of these technical advances serve to raise general living standards (as distinct from promoting possibly other aims of policy unrelated to this objective).

There is much at stake in India, and not only for Indians. The political importance of India in the world at large is great because of the sheer size of her population (which, as already noted, is almost half of the total of the uncommitted world), the presence of large Indian minorities in many other countries, and be-

cause of her articulate, literate, vocal and internationally influential intelligentsia, whose members have an excellent command of English and extensive contacts with the outside world. Developments within India will certainly have repercussions far beyond her frontiers.

Criticism of Indian economic planning and of the ideas behind it should not be mistaken for a plea for *laissez faire*, for governmental inactivity in economic and social life. Some scaling down or postponement of the extravagant investment plans in the public sector does indeed seem necessary if complete regimentation of the economy outside the subsistence sector is to be avoided, since in Indian conditions their execution will not be possible without a highly centralized and closely controlled economy. But the recognition of this necessity does not imply serious curtailment of the effective role of Government.

As should be clear from the argument of the earlier parts of this chapter, what is required in India is essentially a redirection of the activities of Government, away from policies restricting the energies and opportunities of its subjects, and away from acts of emulation of the pattern of the Soviet world, into directions aimed at releasing the energies of millions of people. These tasks will tax the resources of Indian governments for many years to come.

Those engaged in the immense task of attempting to raise the living standards of the Indian people and freeing them from the inevitable restrictions imposed by poverty, a harsh environment, and attitudes and customs uncongenial to material advance, have to face formidable tasks. But they also have important assets. These include great reserves of industry and enterprise; much commercial and scientific talent among the people; a large number of highly educated and devoted public servants; much respect for government and for education; access to the technical achievements of other countries; and much good will abroad. It will be of very great importance throughout the world whether these assets will be used mainly for the development of the oppor-

tunities of the people, or for the establishment of a Soviet type economy.

The shape and direction of the aid program of the United States will undoubtedly be a major factor in influencing the economic policy of the Government of India. It is much to be hoped that the resources of the United States will be harnessed to policies designed to promote the welfare of the Indian masses, rather than to policies designed to socialize or even to sovietize the most populous country of the non-Communist world.

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STUDIES

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- The Question of Governmental Oil Import Restrictions, *William H. Peterson*—1959
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- Price Fixing Controls and Allocation of Non-Ferrous Metals, *W. F. Boericke*—1954
- *Farm Price Supports—Rigid or Flexible, *Karl Brandt*—1954
- *Currency Convertibility, *Gottfried Haberler*—1954
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- *Out of Print

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For Studies 1953 and Earlier, Each Study 50 Cents Unless Otherwise Shown in Listing.

For All Studies 1954 to Date, Each Study One Dollar.

LEGISLATIVE ANALYSES

86th Congress, First Session, 1959

No. 1—Federal Aid to Airports. Bills by *Sen. Monroney, Rep. Harris, Rep. Boggs, et al.*
 No. 2—Extension of the Renegotiation Act of 1951, *A Special Analysis*
 No. 3—Proposals to Amend Housing Legislation. Bills by *Sen. Sparkman, Rep. Rains, Rep. Kilburn, et al.*
 No. 4—Hawaiian Statehood. Bills by

Sen. Murray, Delegate Burns, Rep. O'Brien, et al.
 No. 5—Voluntary Pension Plans for Self-Employed. Bills by *Sen. Kefauver, Rep. Simpson, Rep. Keogh*
 No. 6—Taxation of Life Insurance Companies. Bills by *Rep. Mills, Rep. Reed*
 No. 7—Depressed Areas. Bills by

Sen. Douglas, Sen. Dirksen, Rep. Flood, Rep. Kilburn, et al.

No. 8—Aid to Education. Bills by *Sen. Murray, Rep. Metcalf, et al.*

No. 9—Proposals Providing for Labor-Management Reform. Bills by *Sen. Kennedy, Sen. Ervin, Rep. McGovern, Rep. Kearns, Rep. Barden, et al.*

No. 10—Unemployment Compensation. Bills by *Sen. Kennedy, Rep. Karsten, et al.*

No. 11—Good-faith Defense of Price Discrimination Under Sec. 2(b) of Clayton Act. Bills by *Sen. Kefauver, Rep. Patman, et al.*

No. 12—Antitrust Law and Labor Unions, *A Special Analysis*

No. 13—Proposals to Amend the Railroad Retirement Act and Railroad Unemployment Compensation Act. Bills by *Sen. Morse and Rep. Harris*

No. 14—Analysis of Proposals to Re-

strain Inflation. Bills by *Sen. Bush, Sen. O'Mahoney, Rep. Reuss, et al.*

No. 15—Joint Power Development—Trinity Project. Bills by *Rep. Gubser, Rep. Utt*

No. 16—Analysis of Proposals to Amend the Antitrust Laws to Prohibit the Financing of Automobile Sales by Automobile Manufacturers. Bills by *Sen. O'Mahoney, Sen. Kefauver, Rep. Celler*

No. 17—The Foreign Investment Incentive Tax Act of 1959. Bills by *Rep. Boggs, Rep. Simpson, Rep. Herlong, et al.*

No. 18—Pre-emption: Proposals to Establish Rules of Interpretation Governing Questions of the Effect of Acts of Congress on State Laws. Bills by *Sen. McClellan, Rep. Smith (Va.) et al.*

No. 19—A Special Analysis of the Patent Provisions of the National Aeronautics and Space Act

Single Copy One Dollar

Foreign Aid:

Dollars for Socialism

By E. F. TOMPKINS

ON THE EVE of President Eisenhower's visit to India, a startling report on that country was issued in Washington—and was widely ignored.

The report was sponsored by the American Enterprise Association, an independent research institution which has performed services for Congress. It was not made at Government expense; the Donner Foundation provided funds. The author was P. T. Bauer, of Cambridge University, England, an expert on "the economic development of underdeveloped countries." The title—"United States Aid and Indian Economic Development."



TOMPKINS

The Bauer report clashes with a proposal made in Congress—the Kennedy-Cooper Resolution—for "massive U. S. aid to India" in order to "assure the fulfillment of India's second five-year plan and the effective design of its third plan."

Adoption of the Kennedy-Cooper Resolution would pledge our resources for years ahead to an Indian program along these lines:

A—The program is not a part of our mutual defense system abroad. We have no military establishments in India. Nehru's Government has proclaimed neutrality in the Cold War; India accepts Russian as well as American economic aid, and India's representatives in the United Nations have frequently voted against the U. S. and

in favor of Soviet Russia and Communist China.

B—In spite of India's political attitudes, American economic aid to India has been lavish, amounting to \$1.8 billion as of August 1958. Prof. Bauer says:

"India is currently the largest recipient of economic aid from the United States. India is also the largest debtor of the World Bank and also of the Development Loan Fund."

C—India's internal policies follow the Soviet model and are not "abolishing poverty."

"Such policies," Prof. Bauer alleges, "both retard the rise of living standards and promote a society unlikely to be friendly to the United States."

D—Financing India's five-year plans is simply financing socialism in India. In Prof. Bauer's resume:

"The socialization of the Indian economy is the explicit objective of the second five-year plan. This objective was formally accepted by the Indian Parliament in Dec. 1954 . . . This objective has been reiterated many times in official statements."

Summing up, Prof. Bauer considers that "the shape and direction of the aid program of the United States will undoubtedly be a major factor in influencing the economic policy of the Government of India."

"It is much to be hoped," he concludes, "that the resources of the United States will be harnessed to policies designed to promote the welfare of the Indian masses, rather than policies designed to socialize or even to Sovietize the most populous country of the non-Communist world."

Tolson _____
Belmont _____
DeLoach _____
McGuire _____
Mohr _____
Parsons _____
Rosen _____
Tamm _____
Trotter _____
W.C. Sullivan _____
Tele. Room _____
Holloman _____
Gandy _____

The Washington Post and Times Herald _____
The Washington Daily News _____
The Evening Star _____
New York Herald Tribune _____
New York Journal-American ☒ _____
New York Mirror _____
New York Daily News _____
New York Post _____
The New York Times _____
The Worker _____
The New Leader _____
The Wall Street Journal _____
Date 12 31 - 59

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DATE 6-27-89 BY SP5CJ/AT

ENCLOSURE

November 23, 1960

Mr. Tolson	_____
Mr. Mohr	_____
Mr. Parsons	✓
Mr. Belmont	✓
Mr. Callahan	_____
Mr. DeLoach	_____
Mr. Malone	_____
Mr. McGuire	_____
Mr. Rosen	_____
Mr. Tamm	_____
Mr. Trotter	_____
Mr. W. C. Sullivan	✓
Tele. Room	_____
Mr. Ingram	_____
Miss Gandy	_____

MR. JONES:

Stanley Tracy, former Assistant Director, called Wick at 4:30 p. m., 11-22-60, in connection with a matter. During the conversation Tracy mentioned that Dr. Glen Campbell has been working for the American Enterprise Association of which William Baroody is Director. Tracy said he believes that Chief Inspector Sullivan knows Baroody quite well.

Campbell is an economist and is very much against the Harvard style of liberalism.

The purpose of Tracy's call was to point out that as we knew, the Walter Steele files were recently sold to Stanford University in California. Baroody on November 22, 1960, told Tracy that Baroody has placed Campbell in charge of the files at Stanford. In other words, said Tracy, it now appears that Baroody has found a good, solid, down-to-earth man to look after the files and conduct the American Enterprise Association research in connection with them.

Tracy said he thought we should know the above.

In view of this development, I think it might be well to get up a memorandum incorporating the above and within it point out the background of Dr. Glen Campbell for record purposes.

C. D. DE LOACH

17 NOV 30 1960

REW:sak
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CRIME RESEARCH

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13/
50 DEC 5 1960

UNITED STATES

Memorandum

TO : Mr. DeLoach

DATE: 11-25-60

FROM : M. A. Jones

SUBJECT: DR. GLENN CAMPBELL *Calif* *miss*
AMERICAN ENTERPRISE ASSOCIATION

Tolson	_____
Mohr	_____
Parsons	_____
Belmont	_____
Callahan	_____
DeLoach	_____
Malone	_____
McGuire	_____
Rosen	_____
Tamm	_____
Trotter	_____
Wick	_____
Tele. Room	_____
Ingram	_____
Gandy	_____

Former Assistant Director Stanley Tracy called Inspector Wick on 11-22-60, and during the conversation mentioned that Dr. Glenn Campbell has been working for the American Enterprise Association of which William Baroody is Director. This organization, located in Washington, D. C., analyzes Congressional legislation. Tracy said that Campbell is an economist and is very much against the Harvard style of liberalism. He was very outspoken in praising Campbell as a solid, clear-thinking American.

The purpose of Tracy's call was to point out that, as we knew, the Walter Steele files were recently sold to Stanford University in California. Baroody told Tracy on 11-22-60 that he had placed Campbell in charge of these files at Stanford. According to Tracy, it now appears that Baroody has found a good, solid, down-to-earth man to look after the files and conduct the American Enterprise Association research in connection with them. Tracy said he thought we should know the above information.

Bufiles contain no pertinent information identifiable with Dr. Campbell. Tracy mentioned that Campbell is a Harvard man, probably in his forties, who is believed to have a Ph.D.

RECOMMENDATION:

For information.

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DATE 6-27-89 BY SP5CJ/LAT

1 - Mr. DeLoach

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(3)

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CRIME RESEARCH

50 DEC 7 1960

AMERICAN ENTERPRISE INSTITUTE

For Public Policy Research

CONTINENTAL BUILDING 1012 14TH STREET, N.W. WASHINGTON 5, D.C. 20005

August 7, 1963

Mr. Tolson	
Mr. Belmont	
Mr. Mohr	
Mr. Casper	
Mr. Callahan	
Mr. Conrad	
Mr. DeLoach	
Mr. Evans	
Mr. Gale	
Mr. Rosen	
Mr. Sullivan	
Mr. Tavel	
Mr. Trotter	
Tele. Room	
Miss Holmes	
Miss Gandy	

The Honorable J. Edgar Hoover
Director
Federal Bureau of Investigation
Department of Justice
Washington 25, D. C.

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DATE 9-27-81 BY SP5C/LPT

Sir:

The enclosed questionnaires will provide the basis for a research project on the scope and nature of federally-sponsored social science research.

The above-mentioned project is under the general direction of a committee, comprised of myself as chairman, and Dr. Thomas F. Johnson, Research Director of the American Enterprise Institute and Professor Alfred de Grazia of New York University, Editor and Publisher of The American Behavioral Scientist.

Many social scientists have pointed out that research efforts by academicians and scholars in the social sciences are often hampered because there is no readily available, organized information on the activities of the federal government in this area. A study bringing together and correlating such information would be of tremendous use to all who are concerned with teaching and research in the social sciences. In recognition of this need, the American Enterprise Institute for Public Policy Research and The American Behavioral Scientist are jointly sponsoring a study of this field. The results will be published for general distribution by both organizations.

The American Enterprise Institute is a non-partisan research and educational organization which studies national policy problems. The American Behavioral Scientist is a scholarly journal published ten times annually for social scientists and associated laymen.

We would be grateful if you would complete the enclosed questionnaires or distribute them to persons who are familiar with the social science research performed under your general responsibility.

We would appreciate the questionnaires being distributed in such fashion that all of your social science research, as defined in the instructions, is reported.

Please return the completed questionnaires as soon as possible to the address noted on the questionnaires. If you need additional questionnaires, please contact us.

We are most appreciative of your cooperation.

Yours truly,

Evron M. Kirkpatrick
Executive Director, American Political Science Association

EXP. PROC.

AUG 8 1963

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REC-1

74-5-5968

AUG 16 1963

CORRESPONDENCE

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. C. D. DeLoach

1 - Mr. DeLoach
1 - Mr. Wick
1 - Mr. Sullivan

DATE: 2/17/67

FROM : Mr. W. C. Sullivan

1 - Mr. R. W. Smith
1 - Mr. Garner

Tolson _____
DeLoach _____
Mohr _____
Bishop _____
Casper _____
Callahan _____
Conrad _____
Felt _____
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Rosen _____
Sullivan _____
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Trotter _____
Tele. Room _____
Holmes _____
Gandy _____

SUBJECT: SPEECH OF FORMER JUSTICE CHARLES E. WHITTAKER
AT SEMINAR ON LAW, ORDER, AND CIVIL DISOBEDIENCE
SPONSORED BY AMERICAN ENTERPRISE INSTITUTE,
WASHINGTON, D. C., FEBRUARY 14, 1967

AMERICAN ENTERPRISE INSTITUTE ASSOCIATION

It may be of interest that a three-part seminar on law, order, and civil disobedience is being conducted at George Washington University under the auspices of the American Enterprise Institute, a nonprofit, nonpartisan research and educational organization. Mr. William J. Baroody, President of the Institute and a very good friend of the FBI, invited me to attend the seminar. Because I was in New York City on the evening of February 14, 1967, when the first session was held, I designated Supervisor Russell S. Garner to attend in my stead.

Former Supreme Court Justice Charles E. Whittaker, who retired from the bench in 1962, was the speaker. He asserted that our Nation is in the grip of a mass, active, overt lawlessness and violence which threaten to destroy all vestiges of law, order, and civility. Factors cited by him as contributing to this situation are: (1) the failure to prosecute and punish violators of the law, (2) the appeasement of criminals and the toleration of criminal acts, and (3) the encouragement and advocacy of lawlessness by rash and inflammatory statements by white and Negro leaders.

Whittaker charged that President Johnson, Vice President Humphrey, and Secretary of State Rusk, at one time or another, have made statements which served to encourage civil rights demonstrators to violate the law even though these officials undoubtedly did not intend to do so. He cited President Johnson's remarks in August, 1965, in which he greeted demonstrators at the White House as "fellow revolutionaries" and urged them to "go out into the hinterland and rouse the masses." Humphrey was cited as having said, in 1966, that if he had to live in the slums, he had "enough spark...to lead a mighty good revolt." Rusk was quoted as saying, in 1964, that "If I were a Negro, I too would demonstrate."

RSG:ebp
(6)

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14 MAR 3 1967

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DATE 6-20-97 BY SP3C/LPT

MAR 17 1967

Memorandum for Mr. DeLoach

RE: SPEECH OF FORMER JUSTICE CHARLES E. WHITTAKER
AT SEMINAR ON LAW, ORDER, AND CIVIL DISOBEDIENCE
SPONSORED BY AMERICAN ENTERPRISE INSTITUTE,
WASHINGTON, D. C., FEBRUARY 14, 1967

Whittaker was equally critical of Negro leaders, such as Martin Luther King, who profess nonviolence, yet urge their followers to violate laws which stand in their way and incite Negroes to engage in lawless demonstrations. Similarly condemned by Whittaker were Stokely Carmichael and Floyd McKissick for their advocacy of "black power."

Whittaker listed a number of steps which must be taken to remedy lawlessness: (1) provide better neighborhood schools for Negro children and put less emphasis on integrated education, (2) prohibit demonstrations which can only lead to disorders and riots, (3) guarantee all rights to all citizens, (4) stop appeasing and condoning lawlessness, (5) prosecute and punish all violators of the law, and (6) re-establish respect for the law and constituted authority.

I plan to attend the seminar sessions on February 21 and 28.

RECOMMENDATION:

For information.

[Handwritten marks: a checkmark, "W.E.S.", "JMS", "MSD", "ns", and "WJ"]

RA
REC-19

62-81021-16

April 23, 1968

Mr. William J. Baroody
President
American Enterprise Institute
for Public Policy Research
1200 Seventeenth Street, Northwest
Washington, D. C. 20036

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-22-88 BY SP5 EJP/PT

Dear Mr. Baroody:

Assistant to the Director C. D. DeLoach has shown me your letter of April 17, 1968, which extends an invitation to him to attend a debate seminar on Fair Trial-Free Press.

While I do wish it were possible for Mr. DeLoach or another representative of this Bureau to attend, their schedules and the heavy pressure of official duties are such that I regret they cannot be with you.

The debate topic is a challenging one, and you have my best wishes for a successful seminar.

Sincerely yours,

J. Edgar Hoover

- 1 - Mr. DeLoach, with copy of incoming
- 1 - Mr. Bishop, with copy of incoming
- 1 - Mr. W. C. Sullivan, with copy of incoming

NOTE: We have had limited cordial correspondence with Mr. Baroody, a good friend of Assistant Director Sullivan. The American Enterprise Institute is a nonprofit, nonpartisan, research and educational organization. It is not felt advisable for a Bureau representative to attend and participate in a debate on the Fair Trial-Free Press controversy.

DRM:mbk
(7)

- Tolson _____
- DeLoach _____
- Mohr _____
- Bishop _____
- Casper _____
- Callahan _____
- Conrad _____
- Felt _____
- Gale _____
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- Sullivan _____
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- Trotter _____
- Tele. Room _____
- Holmes _____
- Gandy _____

MAIL ROOM ☐ TELETYPE UNIT ☐

APR 30 1968

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AMERICAN ENTERPRISE INSTITUTE

FOR PUBLIC POLICY RESEARCH

1200-17TH STREET, N.W. - WASHINGTON, D. C. 20036
TELEPHONE 296-5616

April 17, 1968

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GEORGE E. TAYLOR
DIRECTOR, FAR EASTERN
& RUSSIAN INSTITUTE
UNIVERSITY OF WASHINGTON

Mr. Cartha D. DeLoach
Assistant to the Director
Federal Bureau of Investigation
Washington, D. C.

Dear Mr. DeLoach:

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6-22-87 BY SP5CJ/AT

The fair trial-free press controversy is the subject of the American Enterprise Institute's final rational debate seminar for the 1967-68 academic year. It will feature Justice Paul C. Reardon, Chairman of the Advisory Committee on Fair Trial-Free Press for the American Bar Association Project on Minimum Standards for Criminal Justice, and Clifton Daniel, Managing Editor of the New York Times.

The American Bar Association in February adopted new rules written by the Reardon committee to require release of information to the press in criminal cases. The new rules generally have been opposed by the press.

Justice Reardon opens the seminar Thursday evening, May 2. Mr. Daniel appears May 9, and the two meet May 16 for rebuttal and debate. The first two sessions will be in the Board of Trustees Room at the George Washington University Library, 2023 G Street, N.W. The final debate, May 16, will be at the National Press Club. All sessions begin at 8 p.m.

Mr. Reardon is Associate Justice of the Supreme Judicial Court for the Commonwealth of Massachusetts in Boston. A graduate of Harvard Law School, he has been active in bar association affairs for many years. Mr. Daniel has been managing editor of the New York Times since 1964, and was assistant managing editor for the prior five years. He reported from Europe for the Times during and after World War II, and has covered Washington for the Associated Press.

I am pleased to invite you to be one of a small group to attend the seminar sessions and participate as you wish. If you are not able to come, would you please nominate a qualified person from your organization to participate.

Cordial regards,

REC-19

62-81021-16
Sincerely yours,

William J. Baroody
WILLIAM J. BAROODY

WJB/fm

6/22/68
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ack 4/22/68
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UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Bishop

DATE: 8-7-68

FROM : M. A. Jones

SUBJECT: ROLES OF THE ATTORNEY GENERAL
OF THE UNITED STATES

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 6-27-89 BY SP5CJG/T
CH 286758

Tolson _____
DeLoach _____
Mohr _____
Bishop _____
Casper _____
Callahan _____
Conrad _____
Felt _____
Gale _____
Rosen _____
Sullivan _____
Tavel _____
Trotter _____
Tele. Room _____
Holmes _____
Gandy _____

The August 6, 1968, issue of "The Washington Post" referred to captioned publication and attributed a statement to one of its authors, George Washington University Law Professor, Selwyn Miller, as alleging that the FBI is becoming a "true national police force." "The Washington Post" article also stated that Miller had pointed out that Congress has been assigning the FBI more responsibilities and the work of the FBI has been expanding along with that of the Justice Department.

A copy of captioned booklet was obtained by the Washington Field Office at the office of its publisher, American Enterprise Institute for Public Policy Research. The book contains four sections authored by Luther A. Huston, former Department of Justice Public Information Officer; Arthur Selwyn Miller, George Washington University Law Professor; Samuel Krislov, University of Minnesota Political Science Professor; and Robert G. Dixon, Jr., George Washington University Law Professor. The American Enterprise Institute is a nonpartisan research and educational organization and captioned book contains four sections written in a scholarly and legal vein directed at four essential segments: History of the Office of the Attorney General, by Huston; The Attorney General as the President's Lawyer, by Miller; The Role of the Attorney General as Amicus Curiae, by Krislov; and The Attorney General and Civil Rights, 1870-1964, by Dixon.

The book, in describing certain aspects of the Department of Justice, does contain several references to the FBI of a factual and historical nature and Huston, in his segment in giving a brief historical sketch of the Bureau, points out that the Director has built the FBI into one of the world's most efficient crime fighting forces. (Page 10)

Miller, in his section dealing with the Attorney General as the President's Lawyer, refers to the proliferation of the Federal Government during this century which has given the FBI responsibility over dozens of new Federal statutes. He points out that as Federal activity expands so too does the work of the Department of Justice and the FBI and, because of the added responsibility to the Bureau for new Federal crimes committed in interstate commerce, he concludes that at some time the FBI will be recognized as a National police force, in fact, if not in theory. He points

Enclosure

2 - ENCLOSURE
66 AUG 28 1968
JMM:roc (6)

1 - Mr. Bishop
(CONTINUED - OVER)

1 - Mr. Casper
CRIME RESEARCH
PERS. REC. UNIT

M. A. Jones to Mr. Bishop Memo
RE: ROLES OF THE ATTORNEY GENERAL
OF THE UNITED STATES

out also that such a development is almost inevitable in this country, noting that the combination of new technology, which has greatly speeded communications and transportation, and the fact that American business corporations now operate nationwide in a true American "common market." (Page 65-66)

It appears "The Washington Post" has endeavored to take a statement by Miller out of context by implying he is criticizing the FBI as a National police force.

INFORMATION IN BUFILES:

The only reference to Miller is a contact by a Washington Field Office Agent in 1964 in connection with another matter at which time Miller stated that the American Enterprise Institute of Washington would be publishing a book about the Department of Justice in the future. He stated it was designed to be used in colleges and political science courses to show the actual relationship of the Attorney General to the President.

There is no information in Bureau files identifiable with Samuel Krislov or Robert G. Dixon, Jr. We have had very cordial relations with Luther A. Huston, who is on the Special Correspondents List on a first-name basis with the Director.

RECOMMENDATION:

For information.

✓

12/12

TGB

JS

JS

Tolson ☒
 DeLoach ☒
 Mohr ☒
 Bishop ☒
 Casper ☒
 Callahan ☒
 Conrad ☒
 Felt ☒
 Gale ☒
 Rosen ☒
 Sullivan ☒
 Tavel ☒
 Trotter ☒
 Tele. Room ☒
 Holmes ☒
 Gandy ☒

City Life

Alcoholism Act Signed

Legislature making drunkenness a health problem and not a crime in the District was signed into law yesterday by President Johnson at the Texas White House.

The D.C. Alcoholic Rehabilitation Act requires the city to treat alcoholics instead of imprisoning them and makes drunkenness an arrestable offense only when the intoxicated person is endangering himself or others or destroying property.

The Act requires the city to maintain one or more detoxification centers with up to 150 beds, an inpatient extended-care facility and an outpatient after-care facility.

Persons found drunk in public but not committing any offense may be sent home or to a private health facility on public detoxification center for a maximum

of 72 hours. Intoxicated persons found to be alcoholics may be committed to a health facility for a longer period under the Act.

New FBI Role

The FBI is becoming a "true national police force," George Washington University law professor Selwyn Miller says in a recently published study of the "Roles of the Attorney General of the United States."

Miller said Congress has been assigning the FBI more responsibilities and the work of the FBI has been expanding along with that of the Justice Department.

The study, published by the American Enterprise Institute, a nonpartisan research organization, found that Justice Department had appeared as a "friend of the

court" in some 100 Supreme Court cases since 1961, enabling the Attorney General to exert powerful influence on the development of national policies. The cases included civil rights demonstrations, sit-ins, school integration and open housing.

The Washington Post Times Herald B-2
 The Washington Daily News _____
 The Evening Star (Washington) _____
 The Sunday Star (Washington) _____
 Daily News (New York) _____
 Sunday News (New York) _____
 New York Post _____
 The New York Times _____
 The Sun (Baltimore) _____
 The Daily World _____
 The New Leader _____
 The Wall Street Journal _____
 The National Observer _____
 People's World _____
 Examiner (Washington) _____

Date AUG 6 1968

ENCLOSURE

REC-38

12 AUG 16 1968

SENT DIRECTOR

8-6-68

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6-27-88 BY SP5CJ/T

News-Jones
 to Bishop
 8/7/68
 JMM:ncs

→ What do we
 know of Selwyn
 Miller?

Walter Scott's

Personality Parade

Q. Vice President Humphrey says that if elected, he will not reappoint Dean Rusk as Secretary of State on the grounds that after eight years in office, Rusk is tired. J. Edgar Hoover has been in office 44 years. Will Humphrey not reappoint Hoover on the same grounds?—T.E.L., Washington, D.C.

A. Hoover is not the political liability to Humphrey that Rusk is. Hoover is a political asset. Humphrey therefore has no intention of removing Hoover as director of the FBI.

Tolson _____
 DeLoach _____
 Mohr _____
 Bishop _____
 Casper _____
 Callahan _____
 Conrad _____
 Felt _____
 Gale _____
 Rosen _____
 Sullivan _____
 Tavel _____
 Trotter _____
 Tele. Room _____
 Holmes _____
 Gandy _____

The Washington Post Times Herald PARADE - 2
 The Washington Daily News _____
 The Evening Star (Washington) _____
 The Sunday Star (Washington) _____
 Daily News (New York) _____
 Sunday News (New York) _____
 New York Post _____
 The New York Times _____
 The Sun (Baltimore) _____
 The Daily World _____
 The New Leader _____
 The Wall Street Journal _____
 The National Observer _____
 People's World _____
 Examiner (Washington) _____

Date AUG 1 1968

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED

DATE 6-28-87 BY SP5CJ/lp r

ENCLOSURE

62-81021-17

OUTSIDE SOURCE

November 3, 1989

~~14~~
~~X~~
[redacted]
American Enterprise Institute
1150 17th Street
Washington, D.C. 20036

Dear [redacted]

Enclosed please find airline tickets for your trip to our Tampa, Florida, Law Enforcement Conference. Reservations have been made for your stay at the Radisson Bay Harbor Inn, Tampa, Florida. Also enclosed is a sheet for itemization of expenses. If you would please fill out the itemization sheet and return in the enclosed self-addressed envelope, as soon as possible at the conclusion of the conference, this would greatly assist us in processing your expenses for your reimbursement.

Should you have any questions at all regarding the above or need further assistance, please feel free to call Supervisory Special Agent [redacted] at telephone number [redacted] as soon as possible.

We look forward to hearing your remarks at the conference, as we know that they will be most beneficial to the attendees.

Sincerely yours,

DE 702 62-81021-18
Larry A. Potts
Chief
White-Collar Crimes Section
Criminal Investigative Division

Enclosure

1 - Mr. Potts
1 - Mr. O'Connor
1 - [redacted]

Exec AD Adm. _____
Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.:
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Insp. _____
Intell. _____
Lab. _____
Legal Coun. _____
Off. Cong. & Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Off. Liaison & Int. Affs. _____
Telephone Rm. _____
Director's Sec'y _____

MAIL ROOM [initials]

APPROVED: [initials]

Director _____
Dep. Dir. _____
ADD-Adm. _____
ADD-Inv. _____

Adm. Servs. _____
Crim. Inv. *Wm. H. P.* _____
Ident. _____
Inspection _____
Intell. _____
Laboratory _____

Legal Coun. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Cong. Affs. Off. _____
Off. of EEO _____

Off. of Cong. & Int. Affs. _____
Off. of Public Affs. _____

ALREADY MAILED [initials]

Instructions

The purpose of this questionnaire is to gather complete information on social science research which is in any way financed by federal funds, whether performed within government organizations or by private organizations on federal contract.

All work in progress at any time from July 1, 1958 to the present should be reported.

The following definitions should be followed:

Social science is any study which seeks, directly or indirectly, to advance or to utilize knowledge of the behavior of human beings - singly, in groups, or in conjunction with machines. (In addition to studies in the traditional social sciences, this might include such studies as those in statistical economics, administrative management, operations research, natural resources, and decision-making. In fact, most studies are related to social science, with the exception of those which deal strictly with the function of machinery or with chemical or physical processes, as totally isolated from behavioral events.)

"Research is systematic, intensive study directed toward fuller... knowledge of the subject studied. Such study covers both basic and applied research." (according to the National Science Foundation)

Please report ALL work which is AT ALL RELATED to these very broad definitions. If you think a particular project might be reported as social science, but are not sure, please include it.

This questionnaire is designed to be used to describe a single research project or a closely related group of research projects. But in any case, please report all social science research, as defined above.

Please answer every question fully and follow all directions carefully.

If more space is required to answer any question, please use "Supplementary Section L." Identify the section which is to be continued by its letter designation (A,B,C,etc.). Use additional sheets as necessary, always indicating the section continued.

If you require additional questionnaires to make a full report, please contact us.

Supporting documents and additional information will be welcomed.

Thank you for your cooperation.

Please return to: GOVERNMENT AND SCIENCE PROJECT
THE AMERICAN ENTERPRISE INSTITUTE
1012 14TH STREET, N.W.
WASHINGTON, D. C. 20005

GOVERNMENT AND SCIENCE PROJECT
THE AMERICAN ENTERPRISE INSTITUTE
1012 14TH STREET, N.W.
WASHINGTON, D.C. 20005

A. Agency, Department, Committee, or Subcommittee Sponsoring the Research_____

Bureau(if any)_____Division(if any)_____

Section or other smaller unit(if any)_____

B. Title of Grant(s) or Project(s)_____

Name of Research Group(if work is performed by staff of sponsoring agency)

Agency Code Number(if any)_____

C. Disciplines Involved(Check as Many as Apply):

☐ Sociology(including cultural anthropology and the social psychology of groups)

☐ Psychology(including psychological anthropology and the social psychology of individuals)

☐ Economics

☐ Political Science

☐ History

☐ Administrative Management

☐ Law

☐ Demography and Geography

☐ Human Engineering(e.g., designing aircraft instrument panels for most efficient human function in the machine)

☐ Medicine(except psychiatry, physiology, and health)

☐ Psychiatry

☐ Physiology

☐ Health

☐ Mathematics(except statistics)

C. Disciplines Involved(continued)

☐ Statistics

☐ Education

☐ Linguistics

☐ Physical Education(experimental)

☐ Other: specify _____

D. Total Gross Amount of Money Expended to Date on Project Since its Beginning, including salaries, travel, equipment, rent, etc. (Please check one of the boxes and fill in the approximate amount.):

☐ \$0-\$1,000

☐ \$500,001-\$1,000,000

☐ \$1,001-\$5,000

☐ \$1,000,001-\$10,000,000

☐ \$5,001-\$20,000

☐ \$10,000,001-\$100,000,000

☐ \$20,001-\$100,000

☐ \$100,000,001-\$1 billion

☐ \$100,001-\$500,000

☐ over \$1 billion

Approximate amount \$ _____

E. Time Element

Continuing Project(s)

Date Begun _____
(mo.) (yr.)

Time Elapsed to Date _____
(yrs.) (mos.)

Estimated Average Annual Budget \$ _____

Special Project(s) (of limited duration)

Date Begun _____
(mo.) (yr.)

Date Ended or To End _____
(mo.) (yr.)

Total Time _____
(yrs.) (mos.)

F. Personnel

Project Chief(s) (or, if in house, officer most directly concerned with the entire project)

(last) (first) (initial)
(If more than one, list others in Section L in the prescribed manner.)

Training (please check highest earned university degree):

- ☐ No degree
☐ Bachelor's
☐ Master's
☐ Doctorate (including M.D., J.D., D. Ed.)
☐ Other: specify _____

Field _____

University _____

Other Staff (Please check one box in each category.)

Full-time professional

☐ ☐ ☐ ☐ ☐ ☐
None 1-10 11-25 26-50 51-100 over 100

Part-time professional (including consultants)

☐ ☐ ☐ ☐ ☐ ☐
None 1-10 11-25 26-50 51-100 over 100

Full-time clerical and technical

☐ ☐ ☐ ☐ ☐ ☐
None 1-10 11-25 26-50 51-100 over 100

Part-time clerical and technical

☐ ☐ ☐ ☐ ☐ ☐
None 1-10 11-25 26-50 51-100 over 100

Total other staff

☐ ☐ ☐ ☐ ☐ ☐
None 1-10 11-25 26-50 51-100 over 100

G. Type of Organization Performing Work(Check as many as apply.):

☐ In House (research performed by staff members of sponsoring agency):

Specific Units Performing Work

1. _____
2. _____
3. _____
4. _____

☐ External (research performed by persons who are not staff members of sponsoring agency):

☐ Other Federal Agency: specify _____

☐ State or Local Government Agency: specify _____

Private Organization(s)

☐ Profit Organization(s): specify

1. _____
2. _____
3. _____

☐ University(s) or College(s): specify

1. _____
2. _____
3. _____

☐ Other Non-Profit: specify

1. _____
2. _____
3. _____

H. Locations of Research Work, i.e., where work is actually being performed. (Please give both specific location and check the areas as instructed.)

Major Location _____

(Country)

(City)

(State)

(Institution, Agency, or Firm)

Major Area(check one only):

☐ Me., Vt., N.H., R.I., Mass., Conn., N.Y., N.J.

☐ Pa., Ohio, Wisc., Mich., Ill., Ind., Minn., Iowa, Mo.

☐ D.C., Md., Va.

☐ W. Va., Ky., Tenn., Miss., Ala., Ga., Fla., N.C., S.C., La.,
Ark., Del.

☐ Mont., Idaho, Wyo., N. Dak., S. Dak., Nebr., Nev., Utah, Colo., Kans.

☐ Okla., Tex., N. Mex., Ariz.

☐ Calif., Ore., Wash., Alaska, Hawaii

☐ Canada, Central America, S. America, Caribbean

☐ W. Europe(including Greenland and Iceland)

☐ Africa and Middle East

☐ Far East(except Red China), S.E. Asia, Australia

☐ Iron Curtain Countries(including Red China)

☐ Other: specify _____

Auxiliary Locations(if any):

1. _____

(State)

(City)

2. _____

(State)

(City)

3. _____

(State)

(City)

4. _____

(State)

(City)

5. _____

(State)

(City)

Auxiliary Areas(check as many as apply):

- ☐ Me., Vt., N.H., R.I., Mass., Conn., N.Y., N.J.
- ☐ Pa., Ohio, Wisc., Mich., Ill., Ind., Minn., Iowa, Mo.
- ☐ D.C., Md., Va.
- ☐ W. Va., Ky., Tenn., Miss., Ala., Ga., Fla., N.C., S.C., La., Ark., Del.
- ☐ Mont., Idaho, Wyo., N. Dak., S. Dak., Nebr., Nev., Utah, Colo., Kans.
- ☐ Okla., Tex., N. Mex., Ariz.
- ☐ Calif., Ore., Wash., Alaska, Hawaii
- ☐ Canada, Central America, S. America, Caribbean
- ☐ W. Europe(including Greenland and Iceland)
- ☐ Africa and Middle East
- ☐ Far East(except Red China), S.E. Asia, Australia
- ☐ Iron Curtain Countries(including Red China)
- ☐ Other: specify _____

I. Information Dissemination

Are the results of research reported to the public?(Check one only.):

☐ Never ☐ Seldom ☐ Frequently ☐ Always

Names of Government and Private Publications in Which Research Has Been and/or Will Be Reported:

	<u>Name</u>	<u>Date</u>
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

J. Methodology Used in Research (Please check as many as apply. Please check general headings if you are not able to be as specific as the sub-headings. If methodology is the subject, check the box that indicates this, and in addition, check the appropriate methods below.)

☐ Methodology is the Subject

☐ Logic, Mathematics, and Language

- ☐ Probability
- ☐ Statistics
- ☐ Calculus
- ☐ Linguistics

☐ Observation

- ☐ Self-observation, including psychodrama
- ☐ Trained observing, including participant observation
- ☐ Controlled observation
- ☐ Recording observations

☐ Interviews

- ☐ Impromptu interviews
- ☐ Brief and prolonged interviews
- ☐ Depth interviews; simple psychoanalytic, hypnotic, with drugs
- ☐ Standardized interviews
- ☐ Recording interviews
- ☐ Systematizing and analyzing interviews

☐ Questionnaires

☐ Tests and Scales

- ☐ Aptitude tests
- ☐ Projective tests
- ☐ Personality tests
- ☐ Information and ability tests

☐ Universes and Sampling

- ☐ Censuses

☐ Analysis of Temporal Sequences

- ☐ Chronology and genesis
- ☐ Historiography
- ☐ Personal history: biography, personality development, psychoanalysis
- ☐ Projecting historical trends, individual or social

☐ Communication Content Analysis

- ☐ Documentary analysis: records research; conventional content analysis
- ☐ Quantitative content analysis

☐ Legal Research

☐ Information Storage and Retrieval

- ☐ Artifacts and material evidence
- ☐ Conventional systems, including libraries
- ☐ Mechanical and electronic developments

- ☐ Machine Operations: intake, storage, analysis and output
 - ☐ Simulation
- ☐ Graphics and Audio-Visual Techniques
 - ☐ Graphs, charts, diagrams, and maps
 - ☐ Film and sound
 - ☐ Exhibits
 - ☐ Programmed instruction (with or without teaching machines)
- ☐ Experimentation
 - ☐ Hypothetical experimentation
 - ☐ Laboratory experimentation
 - ☐ "Social experiments"
- ☐ Models
 - ☐ Blueprints and organization charts
 - ☐ Stereotypes, ideologies and utopias
 - ☐ Scientific models
 - ☐ Models of decision theory; game theory
- ☐ General theory
 - ☐ Systems and approaches based on substantive relations (scientific laws of society): as idealism, economic determinism, functionalism, self-interest (including pleasure-principle), humanism
 - ☐ Systems based on methodology: as pragmatism, sociometry, field theory, psychoanalysis, positivism, historical cycles
- ☐ Other: Specify _____
- ☐ Methodology Unascertained or Unascertainable

K. Name of Person Completing Questionnaire

(last) (first) (initial)

Title _____ Organization _____

Address _____

Telephone Number _____

Date _____

(month) (day) (year)

L. Supplementary Section



American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036

(202) 862-5800

October 6, 1982

OUTSIDE SOURCE

Exec. AD-Adm.	_____
Exec. AD-Inv.	_____
Exec. AD-LES	_____
Asst. Dir.	_____
Adm. Servs.	_____
Crim. Inv.	_____
Ident.	_____
Inspection	_____
Intell.	_____
Laboratory	_____
Legal Coun.	_____
Off. of Cong. & Public Aff.	_____
Rec. Mgnt.	_____
Tech. Servs.	_____
Training	_____
Telephone Rm.	_____
Director's Sec'y	_____

The Honorable William H. Webster
Director of the F.B.I.,
10th and Pennsylvania Avenue, N.W.
Washington, D.C. 20535

Dear Mr. Webster:

You are cordially invited to a conversation with Ambassador Sergio Romano, Director General for Cultural Relations at the Italian Ministry of Foreign Affairs. Ambassador Romano, a career diplomat, is also a distinguished scholar and writer. DC ITALY

Ambassador Romano will address the theme, The Cultural Origins of Terrorism (with special reference to the Italian case), and will respond to questions from the audience.

The conversation will be held on Wednesday, October 20, at the American Enterprise Institute Board Room, 12th floor, 1150 - 17th Street, N.W., and will begin at 12:00 noon, followed by a buffet lunch. The session will conclude at 2:00 p.m.

I hope that you will be able to join us. Please R.S.V.P. by October 17 to [redacted]

With best regards,

Giovanni Sartori
Visiting Scholar

12 OCT 18 1982

Copy made for Tele. Rm.

10/12/82

Called
10/13
mfr

CLASS.
SRC'D.
SER
REC

b6
b7C

Dear

I appreciate your willingness to participate in this seminar, and we look forward to hearing your remarks. Should you have any questions regarding this training seminar, please contact [redacted] Supervisory Special Agent, FBIHQ at [redacted]

b6
b7C

Floyd I. Clarke
Assistant Director
Criminal Investigative Division

1 - Mr. Clarke

1 -
1 -
1 -
~~1 -~~
~~1 -~~

JPO:mkg (8)

Exec AD Adm. _____
Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.: _____
Adm. Servs. _____
Crim. Inv. _____
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Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Off. Liaison &
Int. Affs. _____
Telephone Rm. _____
Director's Sec'y _____

MAIL ROOM

16 FEB 22 1989

SEE NOTE PAGE 2

APPROVED:

APPROVED: _____ Adm. Servs. _____ Off. of Cong. & Public Affs. _____
Crim. Inv. *Fitch* _____ Ident. _____ Off. of Lia. _____
Director _____ Inspection _____ Intell. _____ Genl. Affs. _____
Exec. AD-Adm. _____ Lab. _____ Rec. Mgnt. _____
Exec. AD-Inv. _____ Laboratory _____ Tech. Servs. _____
Exec. AD-LES _____ Legal Coun. _____ Training _____

b6
b7C

[REDACTED]

b6
b7C

NOTE: [REDACTED] American Enterprise Institute for Public Policy Research, Washington, D.C., is an authority on the subject of ethics and has made presentations before the National Executive Institute, Quantico, Virginia. [REDACTED] has accepted an invitation to speak at the Public Corruption In-Service being held at the FBI Academy, Quantico, Virginia, January 9 -13, 1989.

February 17, 1989


American Enterprise Institute for
Public Policy Research
1150 17th Street, N.W.
Washington, D.C. 20036

Dear 

Enclosed, please find a check in the amount of \$44.41
for expenses you incurred at the Public Corruption Training
Seminar held at the FBI Academy, during the week of January 9-13,
1989.

Your thoughts and perspectives regarding the public
trust and public corruption contributed substantially to the
Training Seminar and several highly favorable comments about your
presentation were received from the attendees. We wish you
success in your future endeavors.

Sincerely yours,

FIC/m

Floyd I. Clarke
Assistant Director
Criminal Investigative Division

1 - Mr. Clarke
1 - 
1 -
1 -
1 -

94-69753-3
SEE NOTE PAGE 2

MAILED 17
FEB 17 1989

Exec AD Adm. MKC:MKC (8)
Exec AD Inv.
Exec AD LES
Asst. Dir.:

Adm. Servs.
Crim. Inv.
Ident.
Insp.
Intell.
Lab.
Legal Coun.
Off. Cong. &
Public Affs.
Rec. Mgnt.
Tech. Servs.
Training
Off. Liaison &
Int. Affs.
Telephone Rm.
Director's Sec'y

MAIL ROOM ☒

b6
b7c

[REDACTED]

NOTE: [REDACTED] American Enterprise
Institute for Public Policy Research, Washington, D.C., is an
authority on the subject of ethics and has made presentations
before the National Executive Institute, Quantico, Virginia.
[REDACTED] spoke at the Public Corruption Training Seminar held in
Quantico, Virginia, during the week of January 9 - 13, 1989.

TRAVEL REQUEST FORM

(Instructions—reverse side)

Date: 1/31/89Request
NumberFiscal Year 89 TravelDivision: 6**445851**Name of Traveler [Redacted]SSAN: [Redacted]Cost Code: 0622

Squad/RA Code: _____

ITINERARY:

Travel Period: From 1/1/89 to 1/1/89
 Points of Travel: From Baltimore, MD to Quantico, Va
 From Quantico, Va to Baltimore, MD
 From _____ to _____

TYPE OF TRAVEL

DIVISION BUDGET

GENERAL BUDGET

- ☐ A-Investigative/Operational/Managerial
☒ B-Meeting/Conference/ Speech
☐ C-Commercial (non-FBI) Training
☐ D-Other _____

- ☐ E-Training at Quantico
☐ F-Relocation (Transfer)
 Transfer Control # _____

JUSTIFICATION: File Number

[Redacted] was a guest speaker at the
 Public Corruption In-Service held at the FBI Academy,
 during the week of January 9-13, 1989.

Continue on additional (blank) page if necessary...

TRAVEL AUTHORITY (DIVISION BUDGET):

- ☐ A-Division Authorized Travel ☐ D-Assistance to another FO
☐ B-Subpoena Travel ☐ E-FBIHQ Mandated Conference
☐ C-FBIHQ Special ☐ F-Inspector/Aide-in-place/Staff

Indicate two character FO code for benefiting office if B, C or D: _____

***** ESTIMATED TRAVEL EXPENSE *****

Transportation	\$ _____	(Includes GTR or FBI SATO Ticket)
Lodging	\$ _____	(Includes SF-1012 or Purchase Order)
Meals/Incidental	\$ <u>12.01</u>	
Rental Vehicle	\$ _____	(Includes SF-1012 or Purchase Order)
Other mileage	\$ <u>32.40</u>	
TOTAL	\$ <u>44.41</u>	

Approval: [Signature] Date: _____

Control System Entry Date: _____

***** ACTUAL TRAVEL EXPENSE *****

Actual Travel Period: From 1/1/89 to 1/1/89

Points of Travel: From Baltimore, MD to Quantico, Va
 From Quantico, Va to Baltimore, MD
 From _____ to _____

Transportation	\$ _____	GTR # _____	Ticket # _____
Lodging	\$ _____	☐ SF 1012	☐ Purchase Order
Meals/Incid-claimed	\$ <u>12.01</u>		
Rental Vehicle	\$ _____	☐ SF 1012	☐ Purchase Order
Other-claimed	\$ <u>32.40</u>		
TOTAL	\$ <u>44.41</u>		

Control System Entry Date: _____

Distribution: White copy - Submit with SF-1012
 Yellow copy - Travel Control File (actual expense)
 Pink copy - Travel Control File (estimated expense)

b6
b7Cb6
b7C

Note: This form is for travel related expenses only.

INSTRUCTIONS

1. Date: Date FD-540 is prepared. Should always precede travel date.
2. Fiscal Year: October 1 thru September. Known as the year ending September 30.
3. Division: Two character code for Field Office/Regional Computer Center or two digits for FBIHQ Division.
4. Name of Traveler: Use full Bureau name.
5. SSAN: Social Security Account Number.
6. Cost Code: Unique four digit number for the Division cost center to which traveler is assigned and from which incurred travel costs will be charged.
7. Squad/RA Code: Unique four digit number for the squad or Resident Agency where traveler is physically assigned.
8. Travel Period: Includes date of departure and date of return.
9. Points of Travel: Include point of departure and ultimate point of destination not connecting points or other stops enroute. If round trip, indicate "R/T" after initial point of destination.
10. Type of Travel - Division Budget:
 - A- Investigative/Operational/Managerial Travel is defined as travel directly supporting investigations. Examples include travel on subpoena, travel to conduct an interview or to perform an investigative or managerial function associated with investigations or travel to conduct police schools.
 - B- Meeting/Conference/Speech Travel includes travel for the purpose of attending a meeting, conference, convention, seminar or for making a speech or presentation, delivering a paper or otherwise taking part in a seminar program or to receive or provide training to FBI employees other than at Quantico. Examples include travel to lecture, participate in seminars and to accomplish speeches.
 - C- Commercial (non-FBI) Training is defined as External Training Travel and includes travel to sites where commercial or other vendor instruction of FBI employees is conducted. This includes all training which requires submission of a Government Employees' Training Act (GETA) form (SF-182).
 - D- Other must be indicated and includes all travel not defined by one of the other three categories above.
11. Type of Travel - General Budget:
 - E- Training at Quantico is defined as travel associated with trips to and from Quantico where training is received. This includes not only FBI employees, but police officers traveling to and from the National Academy or other training at Quantico.
 - F- Relocation Travel includes all travel vouchered in connection with house-hunting trips, temporary quarters and travel from a previous assignment to a new assignment.
12. Justification: File Number. Use Case File Number associated with the Division to which traveler is assigned or if such file does not exist, use Case File Number associated with destination Division.
13. Travel Authority (Division Budget): Self explanatory.
Travel Authority not associated with B,C,D,E, or F should be marked as A- Division Authorized Travel.
If B, C or D, and there is no benefiting FO, place "XX" as two character code.
14. Estimated Travel Expense:
 - Transportation estimate - contact Scheduled Airline Ticket Office (SATO) at FBIHQ X-2111. Use of contract carriers is generally required.
 - Lodging estimate - use GSA Per Diem Rate Schedule for maximum lodging amount (continental U.S.).
 - Meals and Incidental - use GSA Per Diem Rate Schedule for total amount (continental U.S.) Incidental generally includes taxi fares for meals, tips and laundry expenses. Rate is one-half this total amount for day of departure and day of return.
 - Rental Vehicle - Self explanatory. Reservations and rates available through SATO.
 - Other - Official telephone calls, parking fees, tolls.
15. Actual Travel Expense: Self explanatory. See above.

For clarification of TDY expenses, call FBIHQ X-5860.
For transfer related expenses, call FBIHQ X-5868.

TRAVEL VOUCHER

(Read the Privacy Act
Statement on the back)1. DEPARTMENT OR ESTABLISHMENT,
BUREAU, DIVISION OR OFFICE*(F. B. I.)
Department of Justice*

2. TYPE OF TRAVEL

☐ TEMPORARY DUTY☐ PERMANENT CHANGE
OF STATION

3. VOUCHER NO.

4. SCHEDULE NO.

5. a. NAME (Last, first, middle initial)

b. SOCIAL SECURITY NO.

6. PERIOD OF TRAVEL

a. FROM

b. TO

*1-8-89**1-9-89*

c. MAILING ADDRESS (Include ZIP Code)

d. OFFICE TELEPHONE NO.

7. TRAVEL AUTHORIZATION

a. NUMBER(S)

b. DATE(S)

*271-62**6/1/62*

e. PRESENT DUTY STATION

f. RESIDENCE (City and State)

10. CHECK NO.

8. TRAVEL ADVANCE

9. CASH PAYMENT RECEIPT

11. PAID BY

a. Outstanding

a. DATE RECEIVED

b. AMOUNT RECEIVED

b. Amount to be applied

c. Amount due Government

(Attached: ☐ Check ☐ Cash)

c. PAYEE'S SIGNATURE

D. Balance outstanding

12. GOVERNMENT
TRANSPORTATION
REQUESTS, OR
TRANSPORTATION
TICKETS, IF PUR-
CHASED WITH CASH
(List by number below
and attach passenger
coupon; if cash is used
show claim on reverse
side.)

I hereby assign to the United States any right I may have against any parties in connection with reimbursable transportation charges described below, purchased under cash payment procedures (FPMR 101-7)

▶ Traveler's Initials

AGENT'S
VALUATION
OF TICKET

(a)

ISSUING
CAR-
RIER(Initials)
(b)MODE,
CLASS OF
SERVICE
AND ACCOM-
MODATIONS
(c)DATE
ISSUED
(d)

POINTS OF TRAVEL

FROM
(e)TO
(f)

13. I certify that this voucher is true and correct to the best of my knowledge and belief, and that payment or credit has not been received by this voucher.

TRAVELER
SIGN HERE ▶

DATE

*1/31/89*AMOUNT
CLAIMED ▶

\$

44.41

NOTE: Falsification of this voucher is a crime under 18 U.S.C. 287, i.d. 1001, and may result in a fine of not more than \$10,000 or imprisonment for not more than 5 years or both (18 U.S.C. 287, i.d. 1001).

14. This voucher is approved. Long distance telephone calls, if any, are certified as necessary in the interest of the Government. (NOTE: If long distance telephone calls are included, the approving official must have been authorized in writing by the head of the department or agency to so certify (31 U.S.C. 680a).)

17. FOR FINANCE OFFICE USE ONLY
COMPUTATIONa. DIFFER-
ENCES,
IF ANY
(Explain
and show
amount)

\$

b. TOTAL VERIFIED CORRECT FOR
CHARGE TO APPROPRIATION

\$

Certifier's initials:

c. APPLIED TO TRAVEL ADVANCE
(Appropriation symbol):

\$

d. NET TO TRAVELER ▶

\$

*44.41*APPROVING
OFFICIAL

SIGN HERE ▶

DATE

1/31/89

15. LAST PRECEDING VOUCHER PAID UNDER SAME TRAVEL AUTHORIZATION

a. VOUCHER NO.

b. D.O. SYMBOL

c. MONTH &
YEAR

16. THIS VOUCHER IS CERTIFIED CORRECT AND PROPER FOR PAYMENT

AUTHORIZED
CERTIFYING

OFFICIAL

SIGN HERE ▶

DATE

18. ACCOUNTING CLASSIFICATION



American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036

(202) 862-5800
Telex: 671-1239

January 25, 1988

[redacted]
FBI, Room 3849
Hoover Building
9th and Pennsylvania Avenue, NW
Washington, DC 20525

b6
b7C

Dear [redacted]

Many thanks for our work together in Quantico on the 9th. I hope the session was helpful to the public corruption people.

If you are able to cover expenses for the trip, I had 144 miles @ .21 for a total of \$30.24, and lunch on Monday which was \$12.01 for a grand total of \$42.25.

In anticipation of seeing you, and with warmest regards,

As always

[redacted]

b6
b7C

Resident Scholar and Bradley
Fellow in Applied Ethics

[redacted]

November 22, 1989


American Enterprise Institute
1150 17th Street, N.W.
Washington, D. C. 10036

Dear 

Please accept my thanks for the outstanding presentation and discussion which you conducted at Virginia Beach last week. It was, in all respects, simply splendid and extremely rewarding for all of us.

The comments from participants following our time together indicated a very strong appreciation for your recommendations on prior narcotics history, merit-based recruitment and promotion, entry age requirements and retirement policy, compensation, honoraria and gratuities.

Thank you for sharing your wisdom and expertise with us. We will look forward to another occasion when we can be further enriched.

Sincerely,

William S. Sessions
Director

WSS: 

1
1


Dep. Dir. _____
ADD Adm. _____
ADD Inv. _____
Asst. Dir.:
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Insp. _____
Intell. _____
Lab. _____
Legal Coun. _____
Rec. Mgmt. _____
Tech. Servs. _____
Training _____
Cong. Affs. Off. _____
Off. of EEO _____
Off. Liaison & Int. Affs. _____
Off. of Public Affs. _____
Telephone Rm. _____
Director's Sec'y _____

MAIL ROOM ☐

SENT FROM D.O.	
TIME	9:00 am
DATE	11/24/89
BY	aga

10 DEC 20 1989

FBI/DOJ

b6
b7C

b6
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FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 09/21/2010

To: Washington Field

Attn: CR-20 NOVA Public Corruption
IA [REDACTED]b6
b7C
b7EFrom: Washington Field Office
ID-13/NVRA/5W

Contact: [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED] :bcb

Case ID #: [REDACTED] (Pending) -46
[REDACTED] (Pending) -71

1/1
Feb
9/23/2010
Cb3
b7E

Title: [REDACTED]

Synopsis: Three page article discussing how badly are the underfunded pension plans in your state.

Attachment(s): Three page article from MISH's Global Economic Trend Analysis dated 04/12/2010.

Details: Writer received an email with a three page document attached discussing underfunded pension plans state by state. The article was released on 4/12/2010 by MISH's Global Economic Trend Analysis. In this article, MISH states that a report released by the American Enterprise Institute (AEI) reveals that "public pensions are underfunded by more than \$3 trillion."

MISH developed an interactive map with the information that was provided by AEI. However, the interactive map could not be printed with the rest of the document that is attached to this EC. Writer did scroll through the interactive map until Virginia was highlighted. Virginia was reported as funding 47% of their pension fund (Virginia Retirement System) and had an unfunded liability of \$54 billion.

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-46

Monday, April 12, 2010

Interactive Map of Public Pension Plans; How Badly Underfunded are the Plans in Your State?

According to a report by the American Enterprise Institute, public pensions are underfunded by more than \$3 trillion. Following is a state-by-state interactive map I put together from the report. Note: Please give the map a few extra seconds to load.

Click on any of the circles to select a state and see all of the public pension plans for that state. Illinois is amazingly bad. Click on an ocean or a portion of the map without circles to deselect.

The interactive map is based on *Table 2. Market valued funding ratios and unfunded liabilities* on page 42 of **An Options Pricing Method for Calculating the Market Price of Public Sector Pension Liabilities** by Andrew G. Biggs at the American Enterprise Institute.

Note: The AEI total and the total on the map are off by a tiny bit. I double checked the map totals against the report and they are correct. Most likely the discrepancy is a rounding error.

Thanks to Ellie Fields and Ross Perez at Tableau Software for help with the map.

Public Pension Plans Less Than 30% Funded

Illinois SERS - 23%
Indiana Teachers - 26%
Connecticut SERS - 27%
Oklahoma Teachers - 27%
Rhode Island ERS - 29%
West Virginia Teachers - 29%
Illinois Universities - 30%
Kentucky ERS - 30%

Other Pension Estimates

The March 15 cover of Barrons talks about **The \$2 Trillion Hole**. However, the body of the article contains estimates of at least \$2 trillion and another at \$3 trillion.

Hedge-fund manager Orin Kramer, who is also chairman of the badly underfunded New Jersey retirement system, insists the gap is at least \$2 trillion, if assets were recorded at market value and other pension-accounting practices common in Corporate America were adopted.

Finance professors Robert Novy-Marx at the University of Chicago and Joshua Rauh of Northwestern University asserted in a recent paper that the funding gap for state pension

plans alone might exceed \$3 trillion, in part because state funds are using an unrealistic long-term annual investment return of 8% to compute the present value of future payments to retirees, as is permitted in government standards for pension-fund accounting.

California's \$500-Billion Pension Time Bomb

The L.A. Times is commenting on **California's \$500-Billion Pension Time Bomb**

The state of California's real unfunded pension debt clocks in at more than \$500 billion, nearly eight times greater than officially reported.

That's the finding from a study released Monday by Stanford University's public policy program, confirming a recent report with similar, stunning findings from Northwestern University and the University of Chicago.

To put that number in perspective, it's almost seven times greater than all the outstanding voter-approved state general obligation bonds in California.

Stanford Study

Inquiring minds are digging into the Stanford Study **Going For Broke: Reforming California's Public Employee Pension Systems**.

Adjusting the discount rate used on liabilities to a risk-free rate, we estimate the combined funding shortfall of CalPERS, CalSTRS, and UCRS prior to the 2008/2009 recession at \$425.2 billion (see Table 2).

Table 2 — Risk-Adjusted Pension Shortfall as of July 1, 2008 (\$B)

	STAFFED					ADJUSTED				
	Discount Rate	Assets	Liabilities	Unfunded Liabilities	Funding Ratio	Discount Rate	Liabilities	Unfunded Liabilities	Funding Ratio	
CALPERS	7.75%	238.6	277.2	38.6	35.1%	4.14%	478.3	239.7	49.9%	
CALSTRS	8%	161.5	177.7	16.2	50.9%	4.14%	318.2	151.7	50.8%	
UCRS	7.5%	42.0	42.6	0.6	98.6%	4.14%	75.8	21.7	59.3%	
TOTAL		442.1	497.5	55.4			872.3	413.2		

Sources: CalPERS, CalSTRS, UCRS financial reports, FY2008-2009; Team analysis.

[click on chart for sharper image](#)

At the time of this writing, the funds have not released more recent financial reports, but due to the previously mentioned \$109.7 billion loss the three funds collectively sustained, we estimate the current shortfall at more than half a trillion dollars. The American Enterprise Institute report (Click on CA in the interactive map) and the Stanford Study independently arrived at similar values for California pension plan unfunded liabilities.

Note that the Stanford study has the unfunded liability of CalPERS \$239.7 billion, the AEI

report has it at \$234 billion (labeled as California PERF), while CalPERS claims the unfunded liability is only \$38.6 billion

Similarly, the Stanford study has the unfunded liability of CalSTRS at \$156.7, the AEI report has it at \$165 Billion (labeled as California Teachers), while CalSTRS claims the unfunded liability is only \$16.2 billion.

Even if Stanford and AEI are off by 50%, the discrepancy is enormous. Whatever the sad state of affairs is, taxpayers are on the hook for the difference.

The time to stop public defined benefit pension plans was 20 years ago. Unfortunately, it is too late for that now. Nonetheless, it is imperative for states to stop compounding the error by switching to defined contribution plans immediately.

NOTE: Upon looking on the chart for Virginia, the diagram showed that the Virginia Retirement System was 47% funded and had an unfunded liability of 54 Billion!

Link: <http://globaleconomicanalysis.blogspot.com/2010/04/interactive-map-of-public-pension-plans.html>